



**USAID**  
FROM THE AMERICAN PEOPLE

GENERAL BUSINESS TRADE AND INVESTMENT (GBTI)  
INDEFINITE QUANTITY CONTRACT

Contract No. PCE-I-00-98-00015-00

Quarterly Performance Report  
October 1-December 31, 2004

Submitted to:  
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U.S. Agency for International Development  
Washington, D.C.

Submitted by:  
Chemonics International Inc.

in collaboration with

Crimson Capital Corporation, Inc., International Business Initiatives, IGI Inc., International Law Institute, Innovation Associates, Inc., The Kenan Institute, Prime International, Sigma One, Plexus Consulting Group, Taylor-DeJongh, Inc.

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**Chemonics Consortium**  
**Quarterly Performance Monitoring Report**  
**October-December 2004**

*General Business Trade and Investment*  
*Indefinite Quantity Contract (IQC)*  
*PCE-I-00-98-00015-00*

**I. TASK ORDERS: PROGRESS, ACTIVITIES, RESULTS**

**A. Support to Presidents' Council, TO #804**

*Start Date: February 6, 2001*

*Completion Date: December 31, 2004*

*Amount of Delivery Order: \$1,583,265.00*

**A. Introduction**

**A1. Background**

The US-Egypt Business Council is commissioned to inform and advise the US Department of Commerce and the Egyptian Ministry of Foreign Trade on private sector views, needs, and concerns regarding business development in Egypt and measures to enhance bilateral commercial ties that can lay the groundwork for a free trade framework between the US and Egypt. Chemonics has been providing support to the Council since February 2000, primarily through the management of a Secretariat that provides technical, logistical, administrative, and public relations support to the Council and its members.

**A2. Executive Summary**

October through December 2004 was the last quarter of Chemonics' assistance to the Council. December 31, 2004 was the final date of our GBTI task order, so the Secretariat spent much of this period finalizing activities and closing out with the Council.

Without a doubt, the Council's greatest achievement of 2004 was its contribution to the successful negotiation of a Qualifying Industrial Zones (QIZ) agreement between the Egyptian, U.S. and Israeli governments. The members' advocacy activities at their July 2004 meeting in Washington, D.C., and the subsequent activities of its Egyptian co-Chair in following up with the Egyptian and Israeli governments contributed, at least in part, to the subsequent adoption of this agreement in November 2004. Under this new trade concession, goods manufactured in QIZs in Egypt will now be eligible for duty-free access to the U.S. market. Egypt's new QIZs are expected to dramatically increase exports in that country's garment manufacturing industry, leading to increased investment and employment.

To ensure compliance with U.S. regulations, the Secretariat did not provide any support for these advocacy efforts, but did report regularly to members on the progress of the negotiations.

In November, Egyptian Minister of Foreign Trade and Industry Rachid Mohamed Rachid traveled to Washington, DC to publicize Egypt's reform agenda and meet with U.S. government officials to explore possibilities for new trade agreements. U.S. Members were invited by the Secretariat to come to DC to meet with the new Minister and those Egyptian Council members who would be accompanying him. While U.S. members chose not to hold a formal Council meeting with the Minister, a number of them did attend various events set up by other organizations to hear him speak.

Minister Rachid's visit was considered quite successful. His presentation of the new economic reforms recently adopted in Egypt, including dramatic customs and tax rate reductions, were welcomed by U.S. government and private sector leaders, and his promises for continued change left these leaders more hopeful than they had been in years about the prospects for real reform in Egypt. It was reported that Minister Rachid's meeting with U.S. Trade Representative Robert Zoellick ended a stalemate over the number of QIZs to be included in the agreement, and created an opening for future cooperation on a free trade agreement, if Egypt's reform effort proves successful.

The biggest change for the Council this quarter was the fact that Egyptian co-Chair Galal El Zorba, who was recently appointed Chair of the powerful Federation of Industries, abruptly stepped down from his leadership role on the Council. Long-time member Mohamed Mansour stepped in to take his place in November. Both men accompanied the Minister on his visit to D.C., so Secretariat member Tanna Price was able to meet with them to facilitate the hand-over, and discuss their opinions on the future of the organization.

The Council itself will continue to function until August of 2005, at which time new members will be identified and new terms of reference will be signed between the two governments to renew the Council's mandate. It was therefore important that Business Council members develop a plan for taking over the responsibilities of the Secretariat after December. Ideally, the Council would transition over the longer term into an independent, member-supported organization that would continue to function beyond the support of USAID. The Secretariat therefore sought, through communications with the co-chairs, to develop a plan, take it to the members at large, and cooperate in its implementation. Toward that end, the Secretariat met with other similar organizations to identify alternative models for transition, and reported its findings to the co-chairs.

Unfortunately, the U.S. and Egyptian members of the Council did not decide on a plan for transition or for obtaining further secretariat support from another source, prior to the end date of our contract.

The Secretariat was, however, able to work with the Egyptian members to facilitate the transfer of ownership of the Council website's URL address, [www.us-egypt.com](http://www.us-egypt.com), to the Egyptian side of the Council. Having already paid for and directed the design of a new

Arabic-enabled website, employing a new graphic design and layout, with the same content as the Chemonics' managed site, the Egyptian members have now committed to providing all the resources for hosting and maintaining that site in place of the old one.

Section B below of this report provides a detailed description of the tasks completed during the final quarter of 2004. This quarter's deliverables are presented in Annexes A through D.

## **B. Tasks Completed During the Reporting Period**

### **B1. Updated Trade and Investment Dashboard**

The *Trade and Investment Dashboard* is a snapshot of the critical variables, events and issues affecting Egyptian economic and trade development. This quarter, Irving Williamson, the Council's Trade and Investment Specialist, updated the *Trade and Investment Dashboard* in January 2004, in-line with its quarterly updating schedule. This document, which can be found in Annex A of this report, was distributed to all Council members, and posted on the Council's web site at [www.us-egypt.com](http://www.us-egypt.com).

### **B2. Produced Reports and Policy Recommendations Requested by the Council**

In support of the Egyptian government's signing of a Trade and Investment Framework Agreement (TIFA) with the U.S. in July 1999, the Council has become actively involved in supporting a US-Egypt FTA through a number of its activities. In particular, starting in October 2002, the Council began tracking the progress made by both governments on this front through an FTA Roadmap. The Roadmap highlights policy elements of a potential US-Egypt FTA, the current status of priority reforms and political issues affecting the status of FTA discussions, and an action agenda for the Council, i.e. areas/activities that the Council might pursue to help move the process forward. The Roadmap is updated frequently by the Secretariat, with comments and contributions made by all members of the Council. Updates are approved by members of the Council's FTA Road Map Working Group.

During the final quarter of 2004, Trade and Investment Specialist Irving Williamson solicited further feedback on the latest version of the FTA Roadmap from both the U.S. and Egyptian members. Changes requested by Mona Zulficar and Rae Ann Dougherty were made, and additional background information was added to the document to provide greater detail on specific policy issues, particularly in those areas that had undergone recent economic reforms in Egypt. The latest version of the Roadmap is provided in Annex B.

### **B3. Submitted Quarterly Report on Relevant Major Economic Developments -**

To supplement the quarterly snapshot of Egypt's economic and trade climate provided in the *Trade and Investment Dashboard*, the Secretariat produces a more in-depth *Quarterly Report on Economic Developments*. In December, Trade and Investment Specialist Irving Williamson prepared a report for the Council highlighting major economic and trade policy

developments in Egypt from October - December 2004. A copy of this report can be found in Annex C.

#### **B4. Maintained Files/Gathered Information**

As part of its ongoing responsibilities, the Secretariat maintained files on (1) major developments in the Egyptian economy; (2) US-Egypt relations; and (3) reports by market analysts for use as reference material by Council members. Communications Specialist Bethany Pinegar archived this information for placement on the Business Council web site, and when particularly relevant, forwarded copies to members.

#### **B5. Maintained the Council's Web Site**

The Council's web site (located at [www.us-egypt.org](http://www.us-egypt.org)) was first launched in March 2000. A central portal for objective, relevant and timely information on business, trade and investment in Egypt, it is an important resource for the Council, particularly the US members. It also serves as a valuable public relations tool, projecting a positive image of the Council and its objectives to the rest of the world, while providing timely news, economic data and other information related to doing business in Egypt. Ms. Pinegar updated and maintained the website throughout the quarter.

#### **B6. Provided Assistance for Transition to a Member-Supported Organization**

One of the Secretariat's responsibilities was to determine the Council's willingness to become a self-funded organization and, if such willingness was demonstrated, to assist the Council in its transition from a donor-supported organization to a self-funded, sustainable organization with similar goals and objectives.

A study conducted in June 2003 showed there was insufficient willingness on the part of the Council at that time to transition itself into a self-funded organization. Unfortunately, the Secretariat was not able to obtain any new commitment from the Council members for transition by the end date of this project.

In October, members of the Secretariat met with the Business Council for International Understanding (BCIU) to explore further options for transition and/or creation of a spin-off organization, or Caucus. The BCIU indicated they, like the U.S. Chamber of Commerce, could not manage any organization that included non-US firms, so these organizations were not contacted further.

During this final quarter, Communications and PR Specialist Tanna Price provided detailed information to U.S. co-Chair Steve Farris about options for transition, and met with Galal Zorba and Mohamed Mansour in November in Washington, DC to discuss them further. Mr. Zorba and Mr. Mansour indicated at that time they would follow up with Steve Farris to try to obtain an extension for the secretariat, with the objective of gaining follow-on support to develop a spin-off organization permanently housed in DC that would take over Chemonics' Secretariat role, and be free to perform lobbying functions.

In the interest of transition, the Secretariat also facilitated the transfer of ownership of the URL address, [www.us-egypt.com](http://www.us-egypt.com), to the Egyptian side of the Council. A newly designed Arabic-enabled website has been completed and all content has been copied to it. This quarter, the Secretariat conducted a preliminary review of content on the new proposed site and provided the Egyptian members with a detailed list of recommendations for revision. The Egyptian members are making necessary final revisions before launching the new site, and will provide all the resources for hosting and maintaining that site in place of the old one. The US members will not be required to provide financial support for managing the site, but they will still have a say in the content.

#### **B7. Provided Logistical and Administrative Support to Council**

Throughout the first quarter of 2004, the Secretariat maintained regular contact with US Council chairman Steve Farris, Egypt co-chair Mohamed Mansour, and former co-chair Galal El Zorba, as well as other members of the Council, staff at the Egyptian Embassy in Washington, DC, various US government representatives in Washington, DC and Cairo, and other relevant contacts. Ms. Price, Ms. Pinegar and Cairo-based Communications Specialist Randa Mustafa also attended relevant meetings/events on behalf of the Council and wrote and distributed notes to Council members. They also liaised regularly with US and Egyptian government officials to determine the status of QIZ negotiations, and the prospects for a new TIFA meeting.

In October

- Ms. Price and Ms. Pinegar met with Egyptian Embassy official Ala'a Atta to discuss an upcoming visit by Egypt's new Minister Rachid, scheduled for mid-November. The Secretariat subsequently notified the U.S. members and invited them to DC to meet with the new Minister.

- a Secretariat representative attended a Business Council for International Understanding Luncheon for Ambassador Zoellick on US-Middle East trade and a BCIU breakfast meeting with the Egyptian Ministers of Investment and Finance. Notes on the content of this event were distributed to the Council members.

- Ms. Pinegar attended a debriefing by Holly Vineyard, Assistant Deputy Secretary of Commerce, on her recent trip to Israel and Egypt. Unresolved issues regarding the soft drink tax, data exclusivity and pharmaceutical pricing were discussed with members of the new Egyptian cabinet. Notes on this meeting were distributed to Council members.

In November

- Ms. Price and Ms. Pinegar attended events hosted by the BCIU and a breakfast roundtable discussion hosted by the Brookings Institute for the purpose of presenting Minister Rachid and his reform agenda. Details of those discussions were distributed to the members.

- Ms. Price met with Galal El Zorba and Mohamed Mansour to discuss Mr. Mansour's new leadership role as Egypt co-Chair to the Council. Options for transitioning the Council to a member-supported organization were discussed, as was the possible options for obtaining secretariat support to the Council after the end date of Chemonics' contract.

In December

- Ms. Price and Ms. Mustafa followed up with the U.S. and Egyptian co-Chairs to facilitate a dialogue regarding plans for transitioning the Council.

-The Secretariat provided updated information to members on the details and relevance of recently enacted Egyptian customs reforms, and the adoption of the QIZ agreement.

C. Deliverables Submitted for Period January - March 2004

Annex A: Trade and Investment Dashboard – December 2004

Annex B: Updated FTA Road Map and Background Section

Annex C: Report on Relevant Major Economic and Trade Policy Developments

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**B. Ukraine Land Titling Initiative (ULTI), TO #811**

*Start Date: June 22, 2001*

*Completion Date: September 20, 2005*

*Amount of Delivery Order: \$17,299,936*

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**I. PROGRESS ON OVERALL OBJECTIVES**

**Summary of Report**

This quarter, Ukraine re-ran the second round of its disputed presidential election on December 26 under changed rules following Supreme Court repudiation of the falsified results of the earlier November 21 vote. Official results show the extent of falsifications in the first vote by a decisive 52%-44% turnaround margin of victory in favor of reform oriented president-elect Victor Yushenko. By reversing the falsified result in the first vote, this election marks one of the most significant changes in policy and direction in favor of international standards of civil society and democratic-market reform in any state that has emerged from the Former Soviet Union since the fall of the Berlin Wall. With respect to ULTI's impact in Ukraine since 2001, it is worth noting that there were majority, pro-reform Yushenko votes in 12 of the 15 northern and western oblasts as well as strong minority pro Yushenko votes in 2 southern and eastern oblasts where the USAID supported ULTI project has successfully implemented mass scale agricultural land privatization and land titling. Accordingly, we believe it is fair to conclude that USAID support of an open and transparent process for Ukraine's mass scale agricultural land privatization through ULTI has indirectly but significantly contributed to citizen confidence and decisions to vote for and go to the street to assure the victory of Ukraine's new pro democracy and pro-market reform president-elect.

Despite this background of upheaval and major political re-direction in Ukraine, this month ULTI continued to sharply increase production of SAs, delivery of legal aid services and successfully implemented a new, combined land titling and legal aide service methodology on a pilot basis in Poltava and Vinnitsa oblasts focused on rapid completion and SA issuance for the vast numbers of agricultural land share holders who previously began, but failed to complete, land titling at their own cost under high cost DereshKomZem controlled



contracts.

**To date, 44,416 citizens have been served by the 18 legal aid centers now open and operated by ULTI with USAID support. This month, 4,157 more persons applied for assistance. The number of people requesting and receiving assistance continues to grow at a very high rate as awareness and extension of ULTI project services grows. In close synchronization with ULTI's expansion of legal aid services into all 25 oblasts, the public information and education team also organizes and executes an expanding program of oblast level radio and television programs, an out reach program of direct village visits and seminars conducted by information and legal aid teams, regular newspaper and periodical releases and increased frequency of national television and radio programs to assure access to accurate information for citizens and local officials to learn and to protect citizens' rights in the course of land privatization and land titling whether or not financed and supported directly by ULTI.**

By the end of November 2004, The ULTI Non-Agricultural Land Titling (NALT) Team assisted in conducting 14,794 enterprise land sales (including 1,741 secondary sales); 15,547 State Acts for enterprises have now been issued and verified with ULTI support, which is 115% of the overall goal for the ULTI project in this component. The total value of enterprise land parcels, for which State Acts were issued with the Project's assistance, is UAH 476 million, a substantial source of finance to Ukraine's local governments. The NALT component of ULTI is now scheduled to finish in January 2005 following final payments for SAs issued through the end of November 2004 when the existing NALT coordinator subcontracts expire. During the three years that NALT team's activity the number of administrative rayons of Ukraine, where privatization of non-agricultural land is conducted, significantly increased. As of today the land sales are conducted in 88.9% of administrative rayons, while before the ULTI Project this number was only 37.3%.

**Through December, ULTI has prepared and verified issuance of 955,000 State Acts for about 4 million hectares of agricultural land. At eastern Austrian land prices of about \$10,000 per hectare, this represents a transfer of about US \$40 Billion of property assets from the state sector to the private sector. This month, 44,000 more SAs were prepared and issued, including 12,000 previously obstructed SAs that were started but left unfinished under old DKZ controlled contracts. SAs for 67,000 more agriculture land shares were prepared and waiting for DKZ to complete issuance in 125 village radas. Survey works and parcel arrangement plans for 152,000 more land shares are also now complete in 245 more village radas and waiting for raion and village rada governments to complete allocation to land share holders in general meetings so SAs may be prepared and issued. Field work and parcel map preparation continues for a further 147,000 land shares in 277 more village radas. In all oblasts where ULTI is working, SAs proceed normally or better than last month and without further collection of registration fees.**

**New subcontracts for more land titling in close coordination with legal aid centers are also proceeding ahead of schedule for more land share holders and at lower costs than planned. So far, new subcontracts for agricultural land titling funded through the**

**August 2004 ULTI extension have been signed for about 130,000 more land shares. This includes two subcontracts signed in Poltava and Vinnitsa oblasts for about 70,000 land shares that will resolve and complete old, unfinished SA work previously started and partly paid by land share holders through rent reductions from leases. About 170,000 more land shares are in the new subcontract pipeline including about 50,000 more unfinished SA's in Khemilnitski and Ternopil that were previously paid in part by land share holders through rent reductions from leases.**

**Further reductions in SA cost have been realized by developing a special methodology and pricing system for completion of SAs for land share holders who in the past partly paid to start SA work but could not complete the process due to high costs, lack of funds, corruption or special legal and technical problems. These cost reductions allow ULTI to subcontract SA issuance for about 100,000 more land share holders than originally planned in ULTI's August extension. This new methodology also can be utilized to issue SAs for about 2 million more land share holders burdened by incomplete SA issuance--- if additional ULTI funding becomes available and/or if World Bank financed cadastral project terms of reference are changed to include issuance of SAs for land share holders with incomplete / partly paid SA work.**

**Subcontract signing and completion of SA issuance also entail signing of ULTI's oblast multiparty agreements governing process of issuance of SAs, completion of all work prior to payment, discounting of price per land share for remaining work in line with ULTI average costs, termination of prior subcontracts, and termination of deductions from lease rents to villagers to prevent double payments and to relieve land share holders from debts and obligations to farming enterprises for incomplete land titling work. Fulfillment of issuance of SAs for previously incomplete work will be monitored by ULTI legal aid centers to assist and verify compliance with these conditions**

**In parallel with improving agricultural land title production and a pro-reform government taking office following the December 26 election, there is now a significant opening to engage in constructive institutional development and legal and regulatory improvement regarding DershKomZem in coming months. In light of the uncertain position of senior officials in DKZ (Danylenko formally aligned himself and DKZ with Lytvyn and the agrarians; two key senior deputies are now at pension age), it is anticipated that senior management of DKZ will soon change. Over the last 4 months, ULTI has enacted a policy to increase engagement with Kiev based DKZ professional and departmental officials as well as cooperative oblast level land resource departments using step by step joint action on agreed, concrete tasks as a means to help improve policy making and institutional management capability within DKZ. However, the overarching purpose of this engagement is more effectively to position ULTI to assist the new, more positive GOU to implement international standard land market programs and reforms in parallel with ongoing land titling, legal aid and public information tasks when the new government is inaugurated next month.**

**On December 10, ULTI prepared and submitted recommended policies and actions for the first 100 days of a new, pro-reform government including concrete proposals for**

**increased USAID support to help the new GOU more rapidly and effectively implement these recommendations. A copy is included in its entirety in the legal-policy section of this report. These recommendations build upon objectives approved by the ULTI-GOU working group earlier this fall and adopted in the form of the following 2 resolutions:**

**RESOLVED:** To approve the proposal on signing a trilateral agreement between the Government of Ukraine, the U.S. Government and the International Bank for Reconstruction and Development regarding coordination of execution of the World Bank project "Rural Land Titling and Cadastre Development" and the Ukraine Land Titling Initiative regarding ensuring the issuance in hands of State Acts for the right to private ownership of land parcels to owners and state registration of these rights. To ask ULTI experts to prepare the draft of such trilateral agreement and to present it for the working group consideration.

**RESOLVED:** To recommend the leadership of the State Land Committee of Ukraine to create a working group with participation of ULTI experts in order to develop drafts of legal acts regarding state registration of rights to immovable property, including:

a) the draft law of Ukraine on introduction of amendments to the Law of Ukraine "On State Registration of Property Rights to Immovable Property and Their Restrictions" regarding the definition of the legal status of State Acts for the right to private ownership of land parcels and regarding more comprehensive and detailed regulation of the transfer from the old to new system of registration of rights to immovable property;

б) the draft law of Ukraine "On Guaranteed Fund of State Registration of Rights to Immovable Property";

в) the draft resolution of the Cabinet of Ministers of Ukraine regarding the procedure for state registration of rights to immovable property;

г) the draft resolution of the Cabinet of Ministers of Ukraine regarding the procedure for payment of state duty for state registration of rights to immovable property;

д) the draft provision on the local body for state registration of rights to immovable property.

2. To recommend the ULTI leadership to summarize unresolved legal problems faced by rural residents while enforcing their land rights, to prepare proposals on resolution of the mentioned problems at the national level and to send them to members of the Working group according to the given procedure.

**Pursuant to these resolutions, ULTI technical and legal teams have prepared a draft three party cooperation agreement, circulated the draft to USAID, World Bank and GOU officials and conducted three informal meetings with these officials to review and discuss the draft MOU. Based on these informal discussions, we believe all three parties are favorably inclined to proceed to the next stage of submitting written comments preparatory to approval and signing of the MOU. Further action now awaits official responses and authorizations to proceed from USAID, WB and GOU.**

To improve and advance this cooperation, ULTI teams have also been working closely with many oblast administrations, Supreme Rada, Dershkomzem, Ministry of Justice, World Bank and USAID officials to develop and implement solutions to a number of complex, specialized problems in order to finish incomplete rural land titling for all land share holders in Ukraine.

Specifically, over the last three months ULTI conducted field research at the oblast level to determine the volume and exact nature of unfinished and problematic land titling that remains to be done. During this effort ULTI teams visited and met with oblast state administration and oblast Dershkomzem officials in 14 oblasts including Transcarpathia, Lviv, Volyn, Ivano Frankivsk, Chernivtsi, Kharkhiv, Odessa, Khemelnistki, Vinnitsa, Ternopil, Rivne, Chernigi, Zhitomir and Poltava. We found that oblast state administrations were under increasing pressure, both from Kiev central authorities and high volumes of villager complaints, to find and implement solutions to solve rural land titling problems and complete SA issuance without further delay. One visible result, senior oblast administrators are interceding and increasingly exerting direct authority over Dershkomzem oblast officials, effectively bypassing Kiev central Dershkomzem officials, in order to get problems solved and SAs issued. We also found significantly improved readiness to work within ULTI land titling cost limits and conditions, especially to open and support legal aid center programs in 7 formerly problematic oblasts---Poltava, Kiev, Volyn, Khemilnitski, Transcarpathia, Ivano Frankivsk and, possibly, Kharkhiv.

Major problems to be addressed and solved include numerous villages where SAs were previously contracted (and partly paid for by villagers through farming enterprise lease payment deductions) but still remain un-issued after years of “process”. There is a very large volume of unfinished agricultural land titling contracts in these and other oblasts due to high costs, lack of state funds / partial payments from villagers. There are also significant, unresolved issues that require specialized methods and/or regulatory reforms in order to complete agricultural land titling. Examples of special problems are agricultural lands with perennial crops and associated improvements such as irrigated fields, hops, berries, vineyards and orchards. Other examples are agricultural lands where land has long been distributed and worked as individual plots but legal or survey documents are incomplete.

**Based on data presented during recent ULTI oblast meetings, we believe about 2 million agricultural land shares nationwide have started, but not completed, land titling due to corruption, high costs, lack of funds, partial payments withheld from land leases and the above special technical and legal problems. We also found that, so far, these unfinished and problematic land titling cases are excluded from the terms of reference and from state funding of SA issuance in the WB rural land titling project. In turn, current ULTI resources are only adequate to prepare methodologies and implement several oblast level pilot programs to solve these problems and to complete issuance of a small fraction of these unfinished land titles. To advance donor cooperation and solve these problems, ULTI prepared and delivered a special report on identification and resolution of these issues within the framework of improving three party cooperation among GOU, WB and USAID.**

To finish all such incomplete rural land titles, ULTI know-how, GOU cooperation, USAID support and WB cadastral loan resources will all be needed. Additionally, the methodologies developed and implemented by ULTI will also need to be transferred to, and adopted by, both GOU and the WB cadastral project in the framework of revised terms of reference for the WB rural land titling program. Solution of these and other pervasive rural land titling problems is urgently needed and is specifically addressed by the draft three party agreement among GOU, WB and USAID.

This quarter, ULTI has continued negotiations and preparation of pilot systematic land titling and first registration projects for three village radas in order to facilitate more rapid development of a modern land market in Ukraine's agricultural economy. Efforts this month were focused on establishing working relationships and common terms of reference with Dershkomzem, Ministry of Justice, BTI, local governments and the WB cadastral project within the framework of Ukraine's new registration law and the proposed three party MOU. A draft methodology and work plan is in the works and scheduled to be complete by the end of January. After approval of the methodology and work plan through the ULTI working group, selection of the pilot village radas will begin where legal aid centers are open in consultation with GOU, then subcontractor selection and beginning of work for pilot sites is planned to follow in February 2005.

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C.     **Technical Support for Procurement and Project Management and Private Sector Participation (PSP) to the Ministry of Water and Irrigation, Water Authority of Jordan and the Jordan Valley Authority, TO #814**

*Start Date: August 6, 2001*

*Completion Date: June 30, 2005*

*Amount of Delivery Order: \$4,147,806*

A.     INTRODUCTION

B.

This Quarterly Report presents the activities of the Jordan *TECHNICAL ASSISTANCE FOR PROCUREMENT, PROJECT MANAGEMENT AND PRIVATE SECTOR PARTICIPATION PROJECT* during the period of July 1 through September 30, 2004. The report highlights significant work undertaken and accomplishments realized.

PROJECT ACTIVITIES

Amendment. During this quarter we were engaged in the process of negotiating an amendment for the continuation of the technical assistance to AWC and additionally to conduct an expanded evaluation of Aqaba Governorate water resources and use. The

**extension will be for 6 more months in which both aspects will be implemented concurrently.**

### PROJECT DOCUMENTS

**AWC financial Strategy.** Prepared by Mr. McLindon, and delivered on November 19, 2004. The updated AWC Financial Strategy addresses the future needs of AWC in financial management through an assessment of AWCs strengths, weaknesses, opportunities and threats. The analysis also considers the competitive forces that will determine in part the competitive position of AWC as well as includes an updated budget and financial indicators for the AWC, all essential components of a financial strategy.

**Business Plan (BP).** Developed by Mr. James Baker. We are currently revising the final version of the AWC Business Plan and will be submitting it shortly incorporating comments received from USAID and AWC.

**Staff and Pay Plan.** Prepared by Mr. Stellato, and delivered on November 19, 2004. The Staff and Pay Plan reflects the impact of staff attrition and the agreed staffing for the new WWTP. The report also incorporates approved AWC job titles, position classification, staff assignments, compensation elements and formulas. .

**AWC Management Information System-Conceptual Design.** Prepared by Ms. Silverthorne, was submitted to USAID on January 7, 2005. It outlines an overview of the requirements for a management information system at AWC and includes a description of the current environment, including organization, information systems and equipment; an assessment of AWC organizational and staff capabilities to generate data for the MIS and manage the MIS on an ongoing basis; identification of the 17 performance indicators and 75 subsidiary indicators and data elements for inclusion in the MIS; a plan for generating baseline data; a plan for preparing simplified reports; recommendations for procurement and installation of additional equipment; and high level requirements for the proposed environment, including information systems, user functionality, reporting, usability, performance, and security.

**SOPs and emergency response plan.** Mr. Terence Driscoll went into the field and completed the SOPs and emergency response plan that are in the process of being finalized and translated for reproduction at project sites.

### PROJECT COMPONENTS

#### **Institutional**

**Mr. Anthony Stellato, TAPS Institutional Specialist and Ms. Arwa Muthaffar, TAPS local specialist.**

Mr. Anthony Stellato began finalized he staffing plan and the 2004-2006 personnel budget. Activities included the staffing plans of the water and wastewater departments and incorporating effects of attrition on costs and training needs.

Ms. Arwa Muthaffar continued to develop a Personnel Administration Manual, to design a Filing System, and to design a Correspondence Management System. The consultant worked on the following activities:

- A thorough study of the day-to-day actions in the personnel system and correspondence and filing systems. Initially, there were indications as to the lack of proper knowledge on one hand, and the absence of accurate handling of the daily transactions in the area of correspondence on the other.
- The preparation of the following personnel procedures:
  - Recruitment & Selection procedures
  - Placement & Advancement procedures
  - Performance Appraisal performance
  - Training & Development procedures
  - **Working Hours and Leave procedures. Performance Appraisal Procedures**
  - **Annual Appraisal Performance**
  - **Appraisal of Employees on a Probation Period**
  - **Request for Filling a Vacant Job**
  - **Guidance to Fill a Request for Filling a Vacant Job**
  - **HR Scores of Interview Results**
  - **Selection and Placement Procedures**
- The preparation in draft form of the following documents to cover the correspondence and filing systems:
  - Classification of Filing System
  - Numbering of Correspondence
  - Mechanism in dealing with "Incoming" and "Outgoing" letters
- Prepared a draft procedure for Disciplinary Actions and Categories of Violations which would be subject to the approval of Chemonics and AWC. Necessary adjustments would be incorporated as necessary.
- Prepared the executive summary and Final Report of her assignment in English language.

## Financial

### Mike McLindon, TAPS Financial Consultant

Mr. Michael McLindon's involvement during this quarter was as follows:

- Developed financial performance indicators for AWC.
- Updated the AWC budget.

- Delivered training workshops in budgeting and financial analysis as well as in the fundamentals of financial management and financial indicators.
- Developed a financial strategy for AWC
- Reviewed depreciation options for AWC
- Completed the analysis of billing and collection at AWC, and developed a recommended strategy to deal with AWC's accounts receivable:
  - Updated existing TAPS report on AWC's Billing & Collection systems at AWC.
  - Reviewed the progress of the X-7 system and its interface with the Accounts Receivable module
  - Reviewed policies for aging and writing off old accounts receivable as necessary
  - Reviewed current policies and strategy for collection of overdue accounts
  - Reviewed the 2005 operational, cash, and capital budgets.
- Revised AWC's Budget for 2005 and preparation of an update on the present status this Budget as well as the AWC billing and collection.
- Developed a budget variance analysis report for AWC.
- Undertook analysis of data on AWC's billing and collection from the AWC X7 system.

#### Customer Service and Community Relations (CSCR)

##### **John Woods, PSP Communications Specialist**

Specific tasks undertaken by the consultant were:

- Design of AWC basic information sheet.
- Develop the residential and non-residential customer service guides
- Prepared a display on key indicators.
- Developed the vision and mission statements
- Developed a checklist for planning effective AWC meetings.
- Prepared a memo on what the WEPIA program could provide AWC with in terms of community relations materials, now that the program was being phased out. This memo was prepared following a discussion with the program COP.
- Monitored the Customer Service Center remodeling, and holding discussions with the GM and his staff on adding instruction signs and displays when the remodeling was completed.
- Assisted AWC Staff and Management through providing support in the implementation of the Customer Service and Community Relations (CSCR) program.
- Provided specialized and focused guidance and direction to the Customer Service Manager in the effective and efficient management of the CSCR division and work to address personal leadership weaknesses as identified by USAID, AWC and TAPS staff members.
- Designed recommended Customer Service Center displays as a step towards improving the efficacy and transparency of customer services procedures.
- Provided guidance on the CRCS Program's modification and tailoring of WEPIA conservation-related materials for production and use by AWC.



- Provided assistance in designing a system for collecting & using frequently asked questions (FAQs).
- Conducted an evening session/ workshop with the assistance of TAPS Project Manager (PM) for four staff members identified by the GM on how to plan an effective AWC workshop. Another evening session was held where the consultant, TAPS PM and CRCS Manager met with six customer services staff for a working/training session on developing a frequently asked question (FAQ) for customers.
- A three hour workshop entitled "Improving Customer Services" was conducted for the Customer Relations section of AWC with twelve participants in addition to the Customer Service Manager. A second workshop was held for the Billing section employees. A 3rd workshop was held for the Connections section employees with the same details as the 1st two sessions. A follow on session was held at AWC with the group of four responsible for organizing meetings at AWC on the "How to Organize an Efficient Meeting" subject.
- An Intermediate Communication Plan was prepared by the consultant reflecting priority actions through April 2005.

### **Operations and Maintenance**

#### **Terrence Driscoll, PSP Specialist Industry Engineer and Eric Reading, the Metering Specialist**

- Mr. Eric Reading, the Metering Specialist started his provided an initial briefing on AMR metering technologies for the GM, Customer Service Dept. Manager and other staff members. This briefing identified the potential technologies that could be adopted as part of an AMR system, and helped direct the work toward the problems in the metering program. These included improving customer confidence, increasing frequency of meter reading, and eliminating the need for meter maintenance.
- The consultant started preparing a technology/market survey to address these specific needs, and assess the options in the international marketplace. At the same time, he planned for a demonstration of the "smart metering" system funded by USAID in Nuweiba, Egypt. The GM and two senior staff were scheduled to travel to Nuweiba over the weekend to view practical implementation and identify the strengths and weaknesses of the system.
- Mr. Terrence Driscoll prepared the Safety Operating Procedures (SOP's) for AWC and an Emergency Response Plan (ERP).

### **Corporate Utility Management**

#### **Harold Gorman, Senior Utility Management Specialist**

During the course of the quarter, the consultant was also involved in the following activities:

- Prepared a recommended agenda for the Management Committee meeting.
- Prepared a summary of Business Plan deadlines and suggested actions for inclusion in future Management Committee meetings.

- Revised the performance indicators (PI) and preparation of a list of PI's per MC requirement, Customers oriented and BP requirement.
- Revised the pending tasks list as per the BP which was originally extracted from the AA&DA and updating it with AWC GM.
- Prepared Executive Management Quarterly and Annual reports templates for AWC GM to consider following in his reporting to the MC.
- Provided AWC Management with guidance and procedures reflecting industrial best practices in the oversight of administrative and financial management, utility planning, procurement and systems operations and maintenance.
- Assist AWC GM and staff in establishing the necessary templates and structures for reporting requirements with the Management Committee, prepare materials for the next MC meeting, and to gather reporting data to comply with AWC's first full Quarterly Report.
- Prepared an agenda and a presentation for meeting with AWC GM to update schedule deadlines, review annual report formats, select performance indicators and begin strategic planning process.

## **MIS**

### **Marion Silverthorne, MIS Specialist**

Ms. Silverthorne was engaged in the following activities during the course of this quarter:

- Revised the Business Plan and collected other project documentation.
- Developed a spreadsheet to list each data element identified in the Business Plan, its source (i.e., which department, which system), whether it is currently being collected, whether it needs to be calculated using other data elements, and which of the 17 performance indicators it will be used to calculate.
- Prepared a list of all AWC information systems (automated and manual) and discuss approach to designing the MIS.
- Prepared an outline for the MIS functional requirements and specifications document and technical specifications document.
- Assessed and evaluated AWC organization units, to best determine the status of AWC's systems and infrastructure to support the MIS. Report about requirements in terms of software and hardware that would be needed to develop a short- and long-term MIS plan based on 17 performance indicators that had previously been identified by the company's Business Plan.
- Defined exactly what was to be counted or calculated in each indicator and matched data elements to indicators.
- Prepared the conceptual design document, the plan for generating baseline data, the assessment of the need for additional equipment, the assessment of the staff capabilities to generated data and the plan for generating interim reports.

## **MEETINGS/WORKSHOPS**

## Management Committee Meetings Participation and Facilitation

**The TAPS team participated and assisted in the logistical coordination of the 4th MC meetings that took place this quarter to discuss:**

- AWC Performance
- Collections Incentive Program
- Rule of Order
- New Hires
- Procurement and Purchasing Policies and Regulations and Customer Service Policies and Regulations.

## Workshops

**The following workshops and training sessions were delivered during this quarter to the AWC staff:**

- Workshops in budgeting and financial analysis as well as in the fundamentals of financial management and financial indicators.
- Workshop with the assistance for four staff members identified by the GM on how to plan an effective AWC workshop.
- Workshop directed to the Manager and six customer services staff on developing a frequently asked question (FAQ) for customers.

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### **D. Bolivia Trade and Competitiveness Hub, TO#820**

*Start Date: January 01, 2003*

*End Date: December 31, 2004*

*Amount of Delivery Order: \$6,357,491.00*

## **SECTION I**

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### Introduction

This is the eighth quarterly report for the **Bolivian Trade and Business Competitiveness** (BTBC) project. The BTBC contract (Contract No. PCI-1-00-98-00015-00, Task Order 11) was signed by USAID/Bolivia and Chemonics International Inc. on December 31, 2002 and project implementation started at the end of January 2003. The current contract end date has been extended from December 31, 2004 to March 31, 2005 per modification number 5 of the above referenced contract number.

The overall project objective is to help Bolivia reduce poverty through increased investment and employment creation, as a result of improvements in productivity and access to external markets. The project is focused on the following priorities:

- A. Improve the business environment and operative conditions in Bolivia through the elimination of systemic constraints in order to improve competitiveness and assist economic growth and exports. Factors that will contribute to this “productive environment” include:
  - Effective institutional, legal, administrative and regulatory conditions;
  - Development of human resources, especially in the area of foreign trade and negotiation, and;
  - Coordination and collaboration between the private and public sectors, especially in those efforts oriented to the use of concessions offered by key commercial agreements like the Andean Trade Preferences and Drug Erradication Act (ATPDEA).
- B. Stimulate competitive production of goods and services and private sector exports, particularly in the sectors of wood products, textiles, leather goods, and jewelry. The approach is practical, geared towards generating quick and significant results, clearly surpassing defined obstacles to cover existing market demands. BTBC is achieving this by creating linkages between producing companies and market opportunities at the national, regional and international level, and by providing Bolivian SMEs with carefully targeted technical assistance in production, management, and marketing.
- C. Define, develop and analyze long term interventions to improve the Bolivian trade capability and competitiveness on a larger scale. The project’s focus on this area concluded with the BTBC Phase II Conceptualization Paper set forth in Q5.

## SECTION II

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### Key Achievements during the Quarter

#### **A. Activities Geared towards Improving the Business Environment, Including Institutional Strengthening**

##### **A.1. “Foreign Trade and National Development” Communication Campaign Launched: Helping to Generate a National Economic Consensus**

The mass media component of the Campaign – TV spots and radio jingles – was concluded in October. During that month our infomercials were aired a total of 245 times in 64 programs on five stations with national coverage. Our jingle was aired 4,146 times in 15 radio stations, and our ad was published in the newspapers La Razón, Los Tiempos and El Deber. We also financed a special supplement on the FTA in the weeklies Nueva Economía and Nueva Empresa, which have approximately 10,000 subscribers nation-wide.

With respect to events, during this quarter we held the following:

- Presentation of the Soybean Sector Study, in Santa Cruz (Oct 6) and La Paz (Oct 7).
- International Conference on “Trade Negotiation between Central America and the United States: Lessons for Bolivia”, held the 9<sup>th</sup>, 10<sup>th</sup> and 11<sup>th</sup> of November in Santa Cruz, Cochabamba and La Paz, respectively.

The first week of November we carried out the second survey on “Perception and Attitudes towards the FTA” in the cities of La Paz, El Alto, Cochabamba, Santa Cruz and Tarija. Results from the two surveys – presented in Section III - indicate that the Communications Campaign has had a positive impact on public perceptions of foreign trade. An image audit was also performed and found that opinion leaders, journalists and business leaders were favorably impressed with the *Bolivia Exporta, Bolivia Crece* campaign.

The website/Data Room is operating satisfactorily and now has over 200 subscribers. It includes access to over 50 campaign-specific documents and a photo gallery of all campaign events. It also has a section on coming events and a discussion forum.

##### **A.2. Strengthening the Intellectual Property Rights (IPR) Regime in Bolivia**

On December 20<sup>th</sup>, 2004 the government finally enacted the Supreme Decree No. 27938, which was designed with BTBC assistance and provides the legal and institutional framework for the strengthening of the Intellectual Property Rights (IPR) Regime in Bolivia, through the Servicio Nacional de Propiedad Intelectual.

This long-awaited legal norm set the basis for the restructuring process of SENAPI, a process that was designed by BTBC.

### **A.3. More Competitive Enterprises: Strategic Management Training Program for SMEs of the City of El Alto**

The first course on strategic management for SMEs of El Alto ended the first week of October. Twenty-five entrepreneurs concluded this course, which strengthened their management abilities and helped them design a five-year strategic plan. Awards were given to participants in a moving ceremony held on October 18<sup>th</sup> in El Alto, with the participation of Deputy USAID Administrator, Frederick Sheick, USAID/Bolivia Mission Director, Liliana Ayalde, and then Vice Minister of Industry, Trade and Exports, Juan Carlos Iturri. The training program was so successful that a second course was initiated the first week of December, with the participation of 30 more SME entrepreneurs from El Alto.

### ***B. Activities to Stimulate Production and Exports***

Cumulative new jobs in BTBC-backed companies have decreased slightly this quarter as a consequence of employment declines in the secondary wood products sector, which were partially offset by new jobs created in the fine fibers and textiles and apparel companies we currently assist. Our methodology for measuring job creation is described in the footnote to the Results Table in the following page.

BTBC-backed exports in the quarter rose by an additional US\$8.6 million, where 79% of this amount is due to additional exports in the jewelry sector. We had not reported a major increase in jewelry exports last quarter due to a delay in the official publication of the national export statistics. However, these are now published and consequently we have included this important increase in this report. Of the total new exports, US\$1.8 million is attributable to the textiles/apparel, secondary wood products and leather.

BTBC has been able to integrate over 100 SMEs into the export chains, mostly producing under subcontract for larger exporting companies and in some cases exporting directly. Because many BTBC supported SMEs sell in the Bolivian domestic market, BTBC interventions have also generated an increase of some \$660,000 in local sales, representing an increase of 233% with respect to last quarter.

Throughout BTBC's work, we have placed strong emphasis on training and development of Bolivian human resources, especially at the firm level. To date BTBC has provided training for over 3,800 people, representing a 21% increase with respect to last quarter. This increase is mainly due to the new training programs implemented within the fine fibers sector, where training has increased from 184 to 589 people.

The following table summarizes BTBC's overall results in the productive sector. Sector breakdowns and additional detail are provided in the corresponding sections of this report.

**Estimated Cumulative Results in Support of the Productive Sector through  
December 2004**

<b>SECTOR</b>	<b>New Direct Jobs*</b>	<b>New Exports (U.S.\$)</b>	<b>New Local Sales (U.S.\$)</b>	<b>People Trained</b>	<b>New SMEs subcontracte d for export</b>
<b>Textiles &amp; Apparel</b>	<b>499</b>	<b>3,850,915.38</b>	<b>425,531.00</b>	<b>1,150</b>	<b>29</b>
<b>Fine Fibers</b>	<b>491</b>	<b>2,862,214.00</b>	<b>108,000.00</b>	<b>1,765</b>	<b>22</b>
<b>Secondary Wood Products</b>	<b>101</b>	<b>568,158.67</b>	<b>125,520.71</b>	<b>589</b>	<b>10</b>
<b>Jewelry</b>	<b>78</b>	<b>648,577.19</b>	<b>2,458.51</b>	<b>210</b>	<b>47</b>
<b>Leather Products</b>	<b>89</b>	<b>12,382,393.35</b>	<b>-</b>	<b>138</b>	<b>0</b>
<b>TOTAL</b>	<b>1258</b>	<b>20,312,258.59</b>	<b>661,510.22</b>	<b>3,852</b>	<b>108</b>

\* Employment figures are calculated using the following methodology: 1) For every company we assist, we calculate monthly the difference between baseline employment (before BTBC intervention) and current employment for the month; 2) The accumulated sum of the monthly figures of employment generation (or loss) are prorated by the number of months reported. For example, say a company had a baseline of 40 employees in April, before BTBC began assisting them. Suppose in May they had 70 workers, in June 90, in July 80, August 50, and September 30. The differences with the baseline would be +30, +50, +40, +10 and -10, and the accumulated average for the five months reported would be  $120 / 5 = 24$  new jobs created.

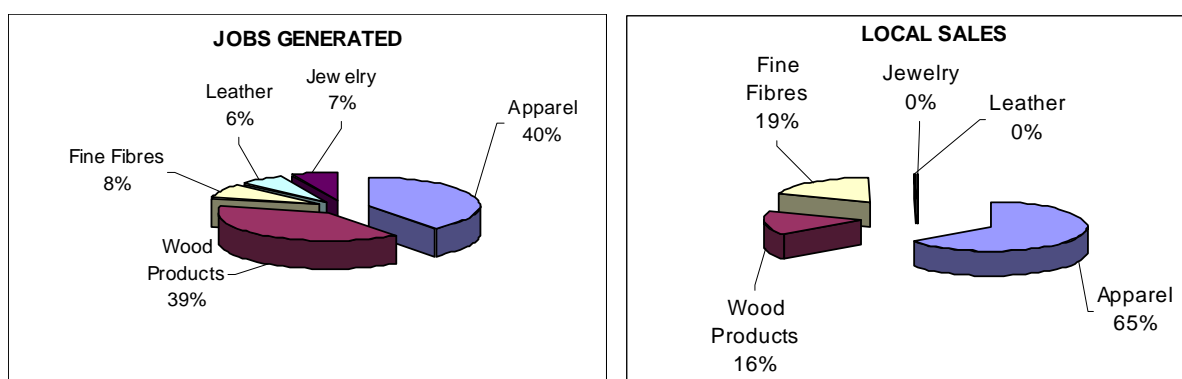
**Total Jobs Created through December 2004**

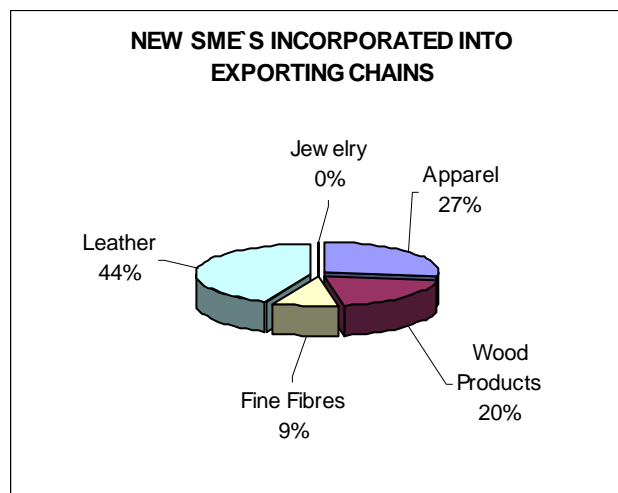
<b>Indirect jobs</b>	<b>1887</b>
<b>Total new jobs</b>	<b>3.145</b>
<b>Dependents</b>	<b>12.578**</b>
<b>Total livelihoods</b>	<b>15.723</b>

\*\*Assumes an average of four dependants per worker.

Despite the fact that we have worked mainly with one company in the jewelry sector, Exportadores Bolivianos, this company's new exports represent 61% of all new exports reported. In the case of leather one company – MACAWS – accounts for 44% of SMEs incorporated into the export chain.

The following charts reflect the distribution of results by sector:





### **B.1 Textiles and Apparel**

- With BTBC assistance, Ametex is currently in the final stages of implementing the lean manufacturing technology provided by TC<sup>2</sup>. The pilot module composed of nine operators has produced very encouraging results by achieving efficiency levels of 70% vis-à-vis international industry standards in only two months. We aim for the pilot module to achieve 100% efficiency by the end of January 2005. This module will be replicated in Ametex's various manufacturing plants to significantly improve the company's overall level of production efficiency.
- BTBC is providing training in Tarija for 45 sewing operators in assembly production systems. Upon completion of their training, these trainees will work in four SMEs selected for their export potential.
- BTBC is helping to design and implement administrative and financial management systems in three companies in El Alto, namely Rey Wear, Hogartex and Vitatex. These systems include inventory, production and commercial controls, as well as more precise methods for ascertaining product costs and margins.



- BTBC is providing assistance to four SMEs in their efforts to export cotton trousers and jackets to the USA. The SMEs are Bogama, Bartolomé, Jeans Export and Confecciones Sandra. BTBC has helped each of them prepare two sets of samples, which have been accepted by U.S. buyers North Thomson, Wails & Friends. A trial order has been received and shipment will be made mid-February 2005 for an approximate value of US\$ 50,000.
- In October BTBC arranged and coordinated an extensive six-day itinerary for Pete Minor, an international trade expert specializing in textiles and data analysis. Mr. Minor was invited by USAID to evaluate the potential impact on Bolivia if the US import quota for Asian textile products was lifted and to his recommend an appropriate Bolivian strategy for gaining entry into this market. The BTBC itinerary for Mr. Minor included meetings and roundtable discussions with senior government officials and key Bolivian players in the textile/apparel business in La Paz and Santa Cruz.

### **B.2 Secondary Wood Products**

- With BTBC assistance, during this quarter Pacahuaras and Mabet started production for Decker. They acquired new machinery that will allow them to increase production by up to 30% by the end of February. In addition, BTBC has helped the partnership complete its business plan for the production of garden furniture.
- Investment proposals for the Wood Collection Hub were received during the quarter. The proposals are currently being analyzed and modifications are being requested to better respond to project needs.
- A joint BTBC-DANIDA (Danish Cooperation Agency) program was developed for Tarija, under which SMEs are developing designs targeted to the Danish market, following the market trends and quality standards. This will be the first time that industrially manufactured products are exported from this region of Bolivia

### **B.3 Fine Fibers, Leather and Jewelry**

- The fine fibers sector has generated more than 169 new jobs and increased exports by almost US\$ 500,000, of which US\$285,000 were generated this quarter.
- BTBC commenced assistance programs to two new fine fibers companies: Beatriz Canedo Patiño and ASARBOLSEM.
- BTBC provided training this quarter in the fine fibers sector to approximately 400 women in the areas of quality control and hand-knitting techniques.
- With our support and in coordination with DANIDA, two BTBC-backed camelid companies (Altifibers/Altifashion and Millma) were selected to participate in the fashion fair that will take place in Denmark next February.
- Design is critical for the success of Bolivian camelid products in the international markets. During this quarter, we developed the winter 05/06 collection for Fotrama.

- We are providing assistance to three hand-knitting groups, namely Fotrama, Altifiber/Altiknits and ASARBOLSEM, which operate through major knitting networks and employ over 1,600 women in El Alto and rural areas in Cochabamba.
- With BTBC assistance, this quarter Macaws completed all procedures and documentation to obtain the ISO 14000 certification.

## SECTION III

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### Detailed Quarterly Results

#### **A. Activities Geared towards Improving the Business Environment, Including Institutional Strengthening**

##### **A.1. “Foreign Trade and National Development” Communication Campaign Launched: Helping to Generate a National Economic Consensus**

The Communication Campaign continued full force through activities in each of its four components: supervisory activities, public education/information events, impact evaluation, and operation of the Data Room. Additionally, during this quarter we financed the publication of a special supplement on FTA in the weeklies Nueva Economía and Nueva Empresa.

##### **A.1.a Supervisory Activities**

- Organization of the third public event: “Impact of Trade Liberalization on the Soy Sector”, in Santa Cruz and La Paz.
- Coordination and supervision for publication of FTA supplement in Nueva Economía.
- Meetings with Tironi to discuss documents included in Deliverable 4, as well as to coordinate CAFTA event.
- Follow-up to Data Room activities.
- Data base generation of potential participants to event on CAFTA in La Paz, Cochabamba and Santa Cruz.
- Printing and distributing CAFTA event invitations, and supervising publicity for the event.
- Coordination and supervision of second survey on FTA with Nueva Economía.
- Organization and supervision of events in Santa Cruz, Cochabamba and La Paz.
- Review and reports on deliverables by Tironi and Nueva Economía.
- Preparation of Addendums for Nueva Economía subcontract.
- Meetings with Tironi to define coming actividades and discuss budget and expenditures.
- Meetings with CAMEX to define activities and budget for the second phase of the Campaign.
- Presentation of the second FTA survey to USAID/B and to Minister of Economic Development, Horst Grebe.
- Meeting with labor leaders in order to develop educational events related to free trade.
- Meeting of the steering committee to evaluate results of the Campaign to December 2004.

### A.1.b Public Education/Information Events

During this quarter we implemented the following two public events:

➤ **Presentation and discussion of the study “Impact of Trade Liberalization on the Soy Sector”**

This event took place in Santa Cruz on October 6<sup>th</sup> and in La Paz on October 7<sup>th</sup> and was presented by its authors, Alfonso Kreidler, Eduardo Antelo and Antonio Rocha. Prestigious local commentators were invited to each of the sessions: in Santa Cruz, Carlos Rojas, President of ANAPO and Vezna Marinkovic, ex – Vice Minister of Foreign Trade, and in La Paz, Diego Montenegro, Minister of Agriculture and Juan Carlos Requena, economic analyst.

In Santa Cruz there were 80 participants and 14 mass media organizations, including six TV stations. In La Paz there were 70 participants, including the Minister of Sustainable Development, four Vice Ministres and the Superintendent for Natural Resources. Eight media organizations were present at the event, including four TV stations.

Here are some of the most relevant conclusions from the event:

- The Bolivian economy has become dependent on soybean exports, which brought in \$ 2,900 million dollars in the last five years, and currently constitute about 27% of total exports.

“The main problem facing the sector is the absence of communication means and the judicial instability caused by the lack of a clear and well-defined governmental economic policy.”  
-Alfonso Kreidler, Author of the study

“...the governments on duty left the soy sector to its luck and did not take into account that the sector has export capabilities comparable to the expectations for exporting gas.”  
-Carlos Rojas, President of ANAPO

...we depend on CAN and should be included in the conversations on the Common External Tariff and determining the range of the tariff since the decisions made at this time will persist throughout the difficult times we face.

Vezna Marinkovic  
Empresaria del sector

- Bolivia depends on and needs to preserve its Andean market, but it also has to look for new markets in Asia, Mexico and Chile. This requires rapid and joint actions by the public and private sectors.
- Growers must face deterioration in the quality of their land by the use of fertilizers. The GOB must also look into authorizing the use of genetically modified soy, in order to reduce production costs. It is estimated that through an effective use of fertilizers and hybrid soy, production costs could be lowered in up to 30 percent.
- Lack of good roads is one of the prime factors that limits competitiveness of Bolivian soy. These must be improved to allow better access to both the Pacific and the Atlantic oceans.
- An abrupt fall in soy exports – due to the opening of the Andean market to Mercosur or U.S. soy – would have dire consequences on the Bolivian economy.

#### **COMMENTS TO THE STUDY BY JUAN CARLOS REQUENA**

- “One aspect that seems very relevant for this sector and for an adequate framework in which to discuss a sustainable strategy, is to return to the “Soy Bean Production Chain Competitiveness Agreement.”
- “It is at this level that we should look for the answer to the question of the viability of the soy bean sector as a leading sector in the economy, analyzing all the aspects that affect or could affect the future of the sector, both favorable and not favorable, and constructing a long term plan. What is clear is that the future of the soy bean sector can not be based solely in the deferment of preferences.”

-Juan Carlos Requena, Economist,  
Trade Capacity Analyst

#### **➤ International Conference “Trade Negotiation between Central America and the United States: Lessons for Bolivia”**

Dr. Alberto Trejo, former Minister of Foreign Trade and main CAFTA negotiator for Costa Rica, was invited to share his experience in that negotiation process with the “Bolivia Exporta, Bolivia Crece” campaign audience. A speaker from a Central American country was chosen not only because of the relevance in perspective to the Bolivian economy, but also because CAFTA is the most recently negotiated free trade agreement and its contents can serve as a model for the Bolivian AFTA (Andean Free Trade Agreement) negotiators.

This was the first occasion that an international speaker participated in the Campaign. Three events were held, one in each of the major cities of Bolivia: Santa Cruz on November 9<sup>th</sup>, Cochabamba on the 10<sup>th</sup> and La Paz on the 11<sup>th</sup>.

In addition to Trejos, a private exporter was invited to speak in each city so that he/she could share his/her vision and his/her experience as an exporter. The participation of Juan

Carlos Iturri (Special Missions Ambassador and FTA Negotiations Coordinator for Bolivia) was arranged in each of the three conferences. The exporting entrepreneurs were: Pablo Antelo from Chonta in Santa Cruz, Jeanette Martinez from the Cochabamba wood manufacturing sector and Eduardo Bracamonte from Exportadores Bolivianos in La Paz, jewelry exporters.

Forty different media sources covered the events, including TV news reports and interviews in the press and on radio.

The main conclusions from the presentations made by the expert, entrepreneurs and the FTA coordinator are the following:

- Bolivia should present a clear position of its expectations about the FTA with the US, explaining what should be expected from a process of this kind to all sectors.
- There are myths regarding the FTA in Bolivian society and a lot of disinformation on the topic of trade the commercial opening. Among these, the concerns of the rural sector regarding the "invasion" of agricultural and food products once the FTA is signed, when in fact there are currently no impediments for their entry.
- It's necessary to improve the property and private rights regime in order to protect investments.
- Deep social problems prevent the GOB from taking a firm stand in terms of fully participating in the negotiations.
- Bolivia can gain a lot more than any other country from the Andean region with the signing of a FTA with the U.S. or, at any rate, it is the one that has less to lose.
- The negotiating team should strive to achieve a FTA with the U.S. in 2005, otherwise there will be a lot of uncertainty and the disadvantages of Bolivia in comparison to the other Andean countries will be impossible to overcome. The commercial advantages that the ATPDEA grants the Andean countries conclude in December 2006 and they will likely not be extended without a FTA.
- One possibility is that Bolivia simply "dock" to the FTA negotiated by the other Andean countries, as the Dominican Republic did with CAFTA.
- The country's most important exporting sectors are demanding that Bolivia go from observer to full participant in the negotiations with the U.S., so that their interests be represented. Some of the biggest concerns are: preserving preferential entry of Bolivian soy to the Andean market; licenses and intellectual property rights for medicines: the protection of the native species, and the use of transgenics.
- In order to carry out an effective negotiation of a FTA with the US, it is important to have a coherent national strategy and inform the public appropriately.

### **A.1.c Impact Evaluation Mechanisms**

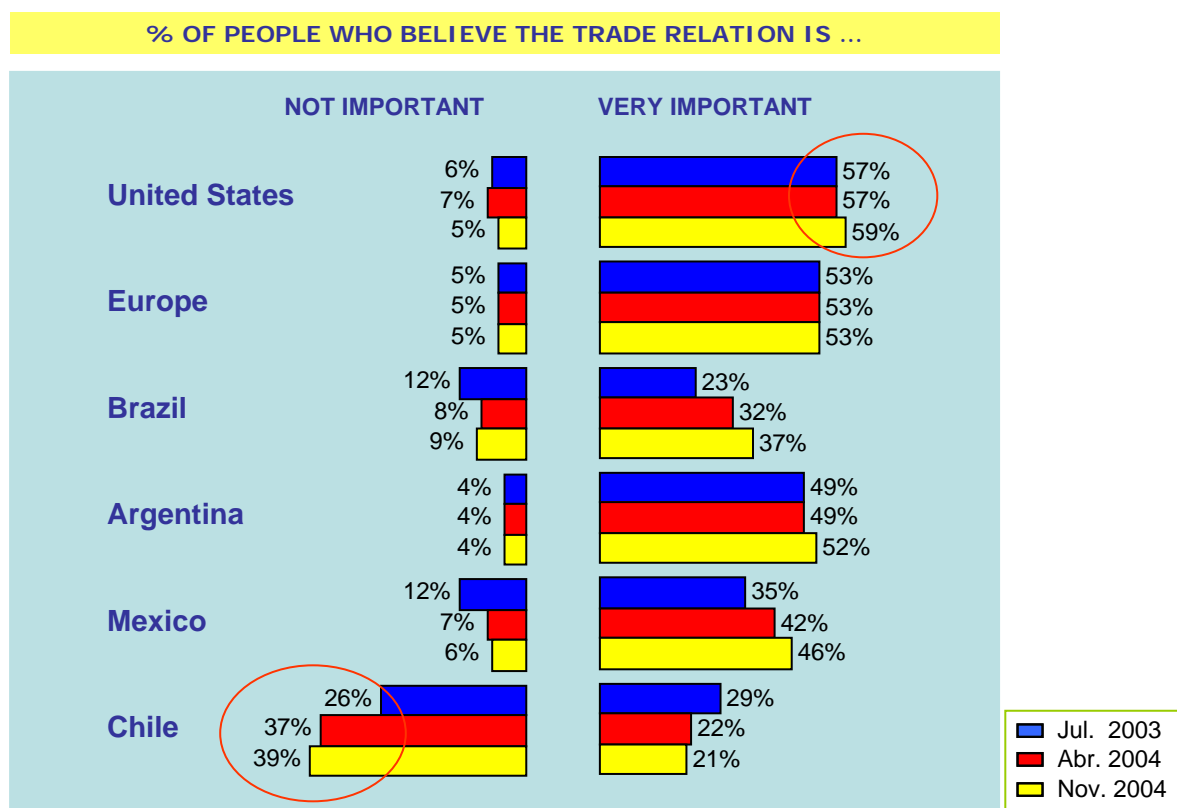
#### **A.1.c.i- Second survey about perceptions and attitudes towards the FTA**

The second survey was carried out in the first week of November on the "Perceptions and attitudes towards the Free Trade Agreement with the US (FTA)", in the cities of La Paz, El Alto, Cochabamba, Santa Cruz and Tarija.

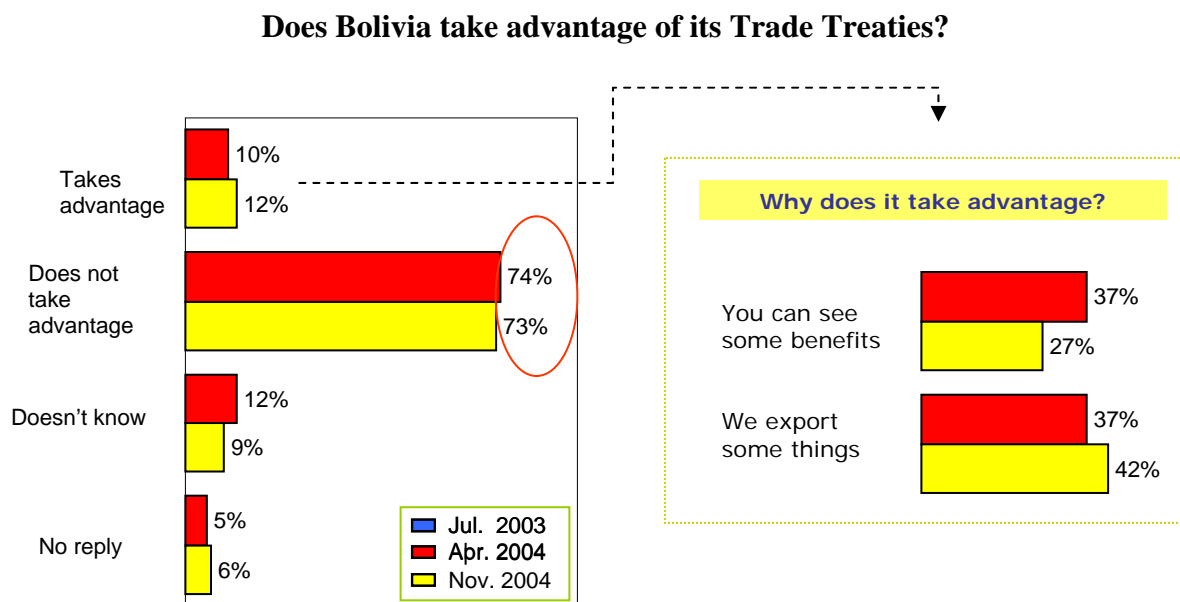
The study aimed at identifying the perceptions and attitudes about the economic situation of the country and Bolivian trade relations, particularly in relation to a FTA with the U.S. The results of this second survey were compared with the first in order to identify the impact of the “Bolivia Exporta, Bolivia Crece” campaign.

Similar to the first survey, men and women from five different socio-economic groups were targeted. Survey participants were grouped by random selection of areas and neighborhoods and systematic selection of homes and interviewees. The sample size was 2,000 people (400 per city), with an error margin of 5% per city.

The following chart shows the importance Bolivians attribute to trade relations with different countries and regions of the world. The figures have remained essentially the same from April to November.



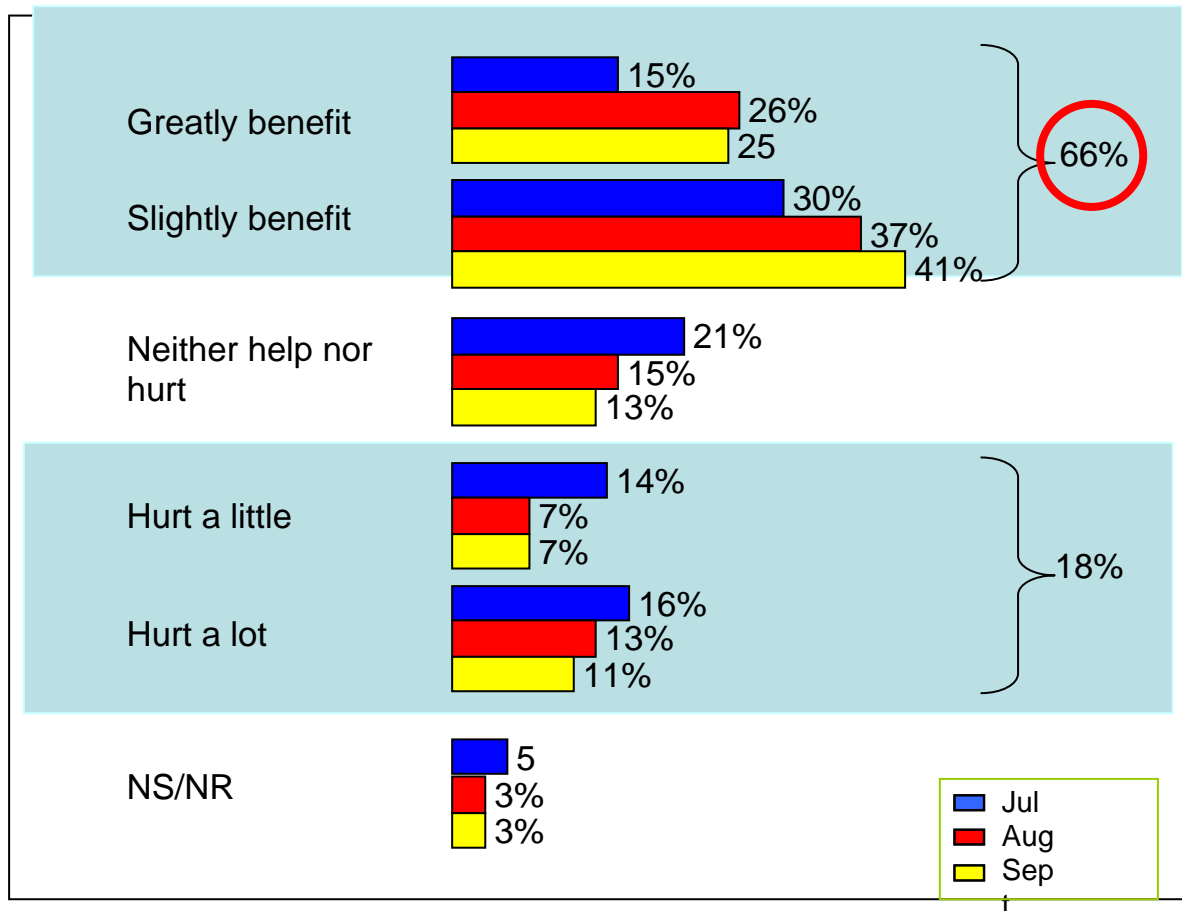
Perceptions about Bolivia's use of trade treaties also did not vary much from one survey to the next:



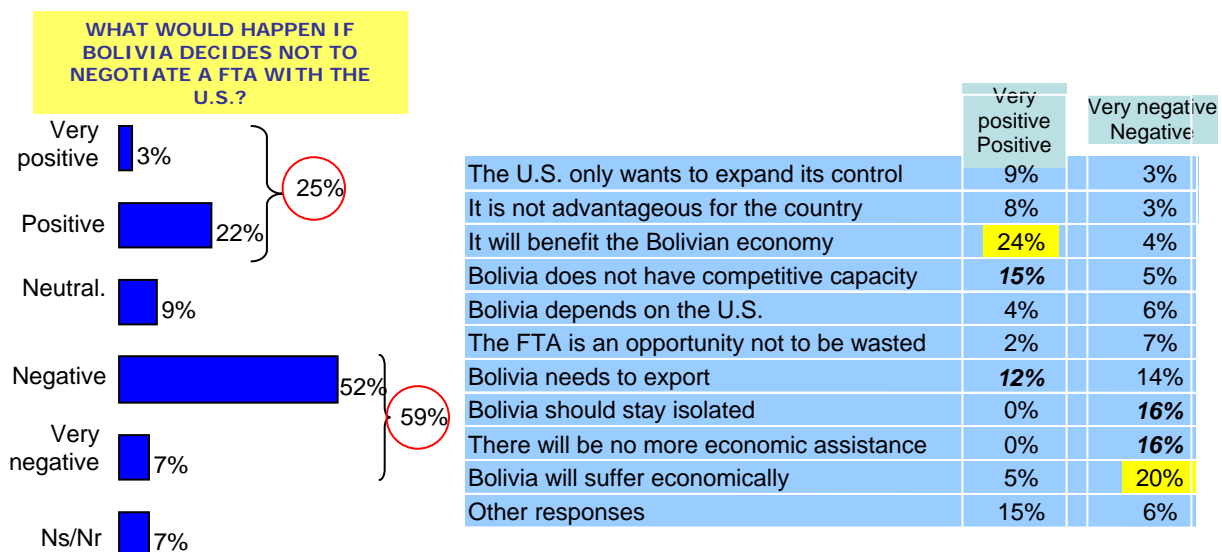
With respect to perceptions about a FTA with the United States, the following chart shows a positive change in attitude:



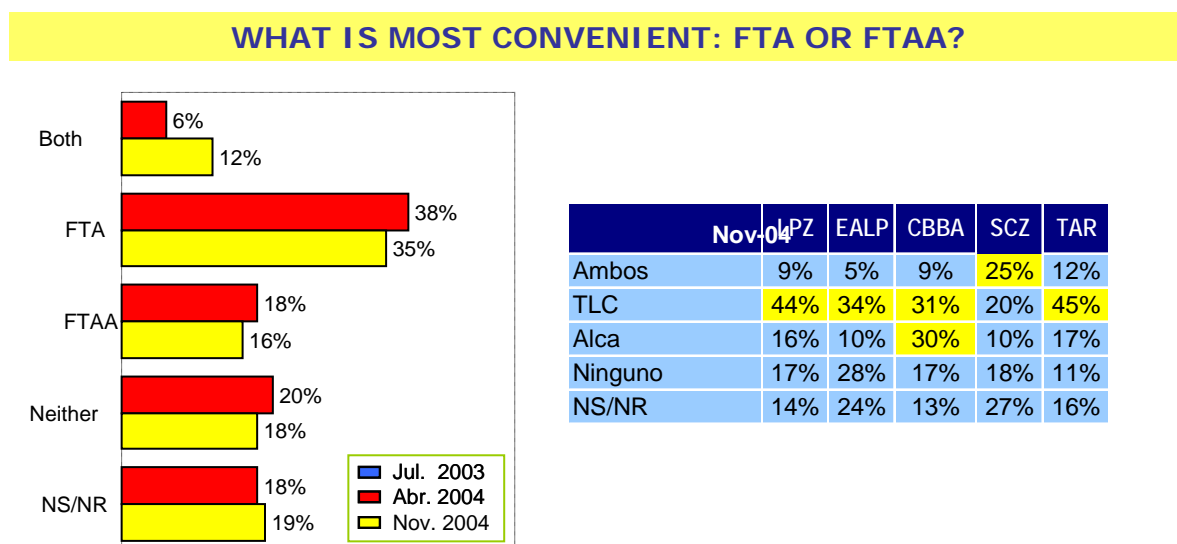
**WOULD A FREE TRADE AGREEMENT WITH THE UNITED STATES  
(.....) YOUR AND YOUR FAMILY'S WELL-BEING?**



The following question was new to the second survey. Over half of those surveyed consider negative or very negative that Bolivia **not** negotiate a FTA with the United States.



The following graph shows that more people think it's convenient to sign an FTA with the U.S. than the FTAA. There are no significant changes between April and November.



### Conclusions of the Perception Study about the FTA with the US

- Although it is perceived that the economy is not well managed, people believe it will be energized with exports.
- The expectations on future export increases are important and are associated to a positive perception on the perspectives of Bolivian exports to the U.S.
- Most people think the FTA will be signed and they think it's a good decision because otherwise Bolivia would hurt economically and be isolated.

- It is perceived that the main beneficiaries of the FTA will be the large companies and not the smaller ones.

Considering the valuable information reflected in this data, the results were presented to Minister of Economic Development Horst Grebe and part of his team on November 25<sup>th</sup>.

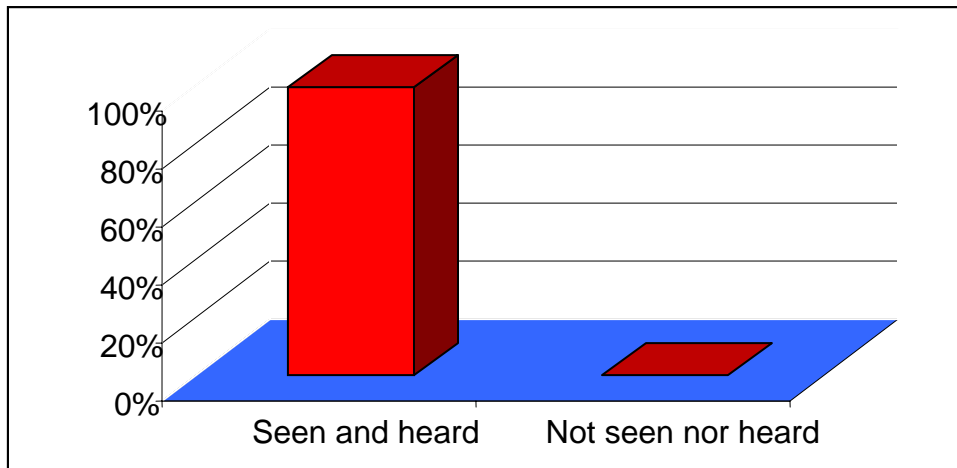
#### **A.1.c.ii Image Audit**

A second Image Audit was performed in order to measure perceptions about the *Bolivia Exporta, Bolivia Crece* campaign among opinion leaders and entrepreneurs. The methodology was qualitative and exploratory, based on in-depth interviews using semi-structured questionnaires.

- 49 people were interviewed between November 8 and 15
- The sample was made up of opinion leaders, entrepreneurs, members of those denominated key additional general public, and specialized journalists in the area of economics from the most important media in La Paz, Cochabamba, and Santa Cruz.

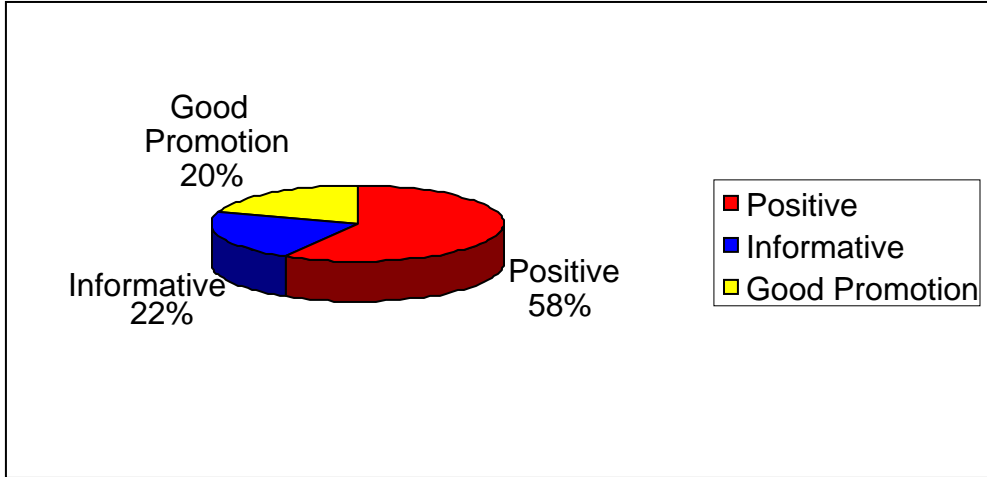
The following graphs show the results of the image audit.

#### **Question 1.- Have you seen the spot or heard of the Communication Campaign: *Bolivia Exporta, Bolivia Crece*?**



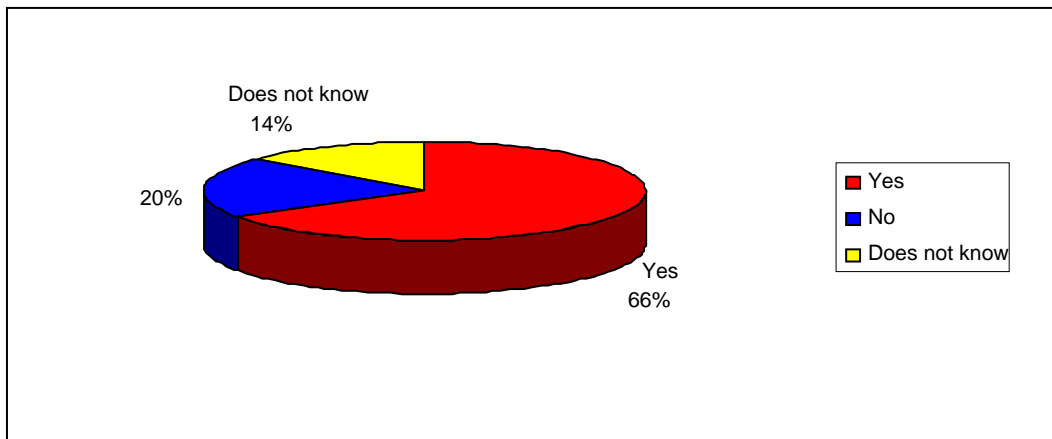
**Survey: 49 persons**

**Question 2.- What is your opinion?**



**Survey: 49 persons**

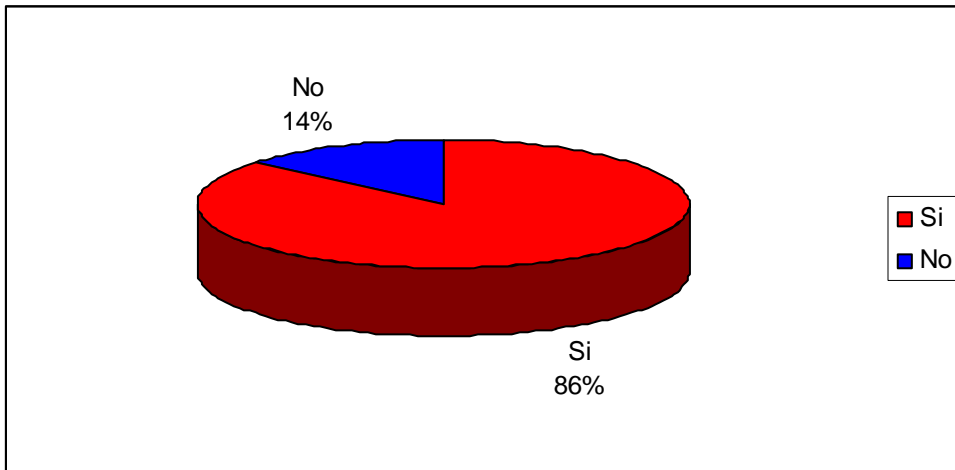
**Question 3.- Do you think this kind of campaign informs the public about the advantages of foreign markets and promotes exports and national development?**



**Question 4.- What suggestions would you make to improve the Campaign?**

- Show job creation
- More testimonies from exporters
- More information about how to export
- Language should be easier to remember
- No opinion
- Have more seminars and workshops about export policy
- Make the Campaign permanent
- Generate press material and distribute it regularly

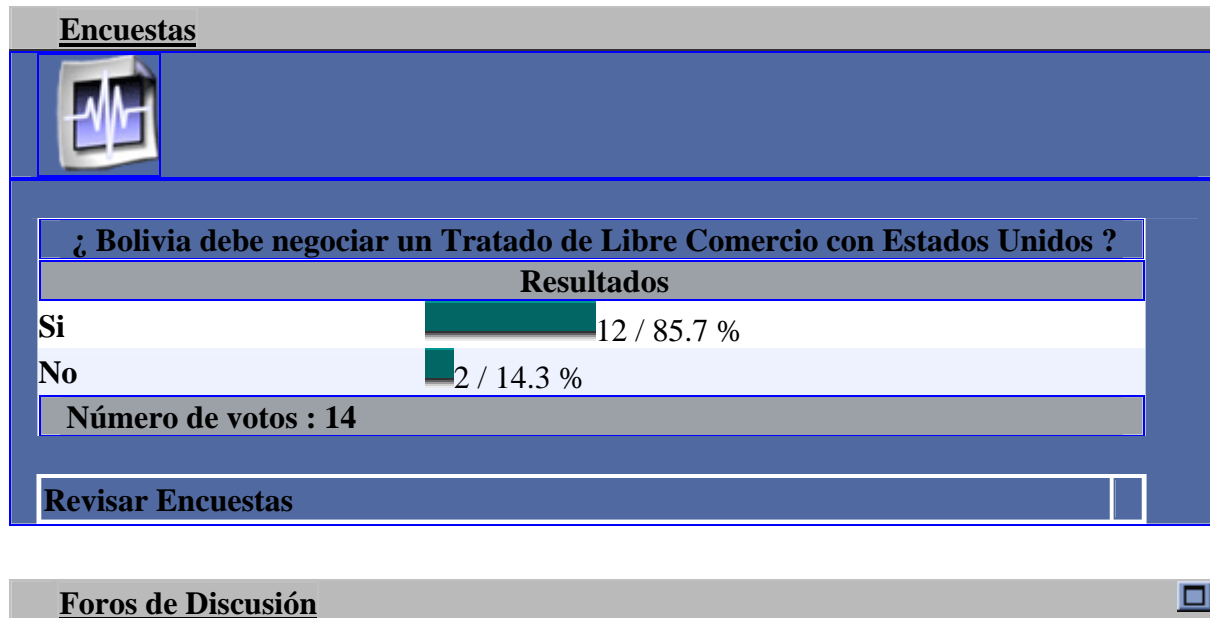
**Question 5.- Have you participated in any of the seminars of the Campaign?**



**A.1.d Data Room**

Since it was launched, the website has been widely visited and currently has more than 200 subscribers, including exporters, business consultants and university teachers and students. It has a document center of 53 files and a picture gallery that shows images of all the campaign's events. All campaign events are announced through the site and there is a discussion forum and a survey module.

Here is an example of a module included in the Data Room:





### **Exportar para crecer o crecer para exportar**

Participaron 35 personas en este Foro al 31-12-04

Las exportaciones son el futuro de la economía Boliviana ?

### **Trabas para la exportación boliviana**

12-14-04 11:40

Discusión de los principales problemas y trabas que encuentran los empresarios bolivianos para exportar

## **A.1.e Special supplement on the FTA**

During this quarter BTBC financed a special supplement on the FTA in the weeklies Nueva Economía and Nueva Empresa, which have approximately 10,000 subscribers nation-wide. The document clearly shows the positive impact of exports on the world's economies.

## **A.2. Strengthening the Intellectual Property Rights (IPR) Regime in Bolivia**

On December 20<sup>th</sup>, 2004 the government enacted Supreme Decree No. 27938, which was designed with BTBC assistance and establishes the legal and institutional framework for the strengthening of the Intellectual Property Rights (IPR) Regime in Bolivia, through the Servicio Nacional de Propiedad Intelectual (SENAPI). This long-awaited legal norm sets the basis for the restructuring process of SENAPI, a process that was designed by BTBC.

The main tenets of Supreme Decree 27938 are the following:

1. SENAPI is transformed into an entity with its own legal, technical and administrative capacities, with only functional, not hierarchical, dependency to the Vice Ministry of Industry, Commerce and Exports (VICE).
2. The General Director will be designated by the President for a renewable five-year term.
3. The technical, administrative and legal directors will be selected by public contest, within 80 days of the Decree's publication. BTBC has been asked to be an observer to this process.
4. Within 180 days of the Decree's publication SENAPI will set forth the approval of the following:
  - a. Norms for the application of Intellectual Property Rights (Decision 486 of the Andean Community)
  - b. Updated regulations for Law 1322 on Author's Rights, in order to make it compatible with Decision 351 of the Andean Community.
  - c. The SENAPI will then proceed to regulate Decisions 391 and 345 of the Andean Community concerning Access to Genetic Resources and Vegetable Species.

5. A program is established to eliminate the huge backlog in pending procedures referred to intellectual property rights.
6. Article 26 establishes the legal bases for SENAPI's operation, including the treaties and international conventions signed by Bolivia, and in particular Decisions 486, 391, 351 and 345 of the Andean Community of Nations.

### **A.3. More Competitive Enterprises: Strategic Management Training Program for SMEs of the City of El Alto**

The first course on strategic management for SMEs of El Alto ended the first week of October. Twenty-five entrepreneurs concluded this course, which strengthened their management abilities and helped them design a five-year strategic plan. Participating companies represented a variety of sectors, including ceramics, natural foods (such as quinoa flour and pasta), shoes and leather goods, wood furniture and garments.

Most program participants were very satisfied with the course and cited the following reasons:

- Innovative design of the program, with a well defined strategy so that there is application of the knowledge to the actual situation of participating companies.

“The main challenge of this program has been to make the participants acquire a strategic vision in terms of their companies' perspective, where, on one side, acquire a long term sense for their business activities and, on the other, identify and describe the new manager roles they should take up.

However, we consider that we should reach these objectives in a gradual and natural manner, for this reason the focus on the study was initially aimed at short run concerns that revolve around the survival of the small organization itself, so in this manner we felt that there was a shift from short run issues without traumas to the relevant medium and long term issues.”

Marco Antonio Fernandez, Strategic Management Program Director for El Alto SMEs Graduate Programs for Development, UCB

- Teachers with vast experience.
- Approach and relationship strategy with the SMEs managers in order to create solid bonds of trust and an open and participative attitude.
- Interest and collaboration on the part of participating managers.
- Attuned to the daily reality of El Alto SMEs; many of the program activities were actually held in the city of El Alto.

## **Closing ceremony of the Strategic Management Training Program for SMEs of the City of El Alto**

Awards were given to course graduates in a moving ceremony held on October 18<sup>th</sup> in Hotel Alexander Los Andes of El Alto. The event was enhanced by the participation of Deputy USAID Administrator, Frederick Sheick, USAID/Bolivia Mission Director, Liliana Ayalde, and then Vice Minister of Industry, Trade and Exports, Juan Carlos Iturri.

## **Creation of the El Alto Productive Consortium**

Once the strategic management program ended, the 25 participants asked their course teachers to advise them periodically on issues related to business management and the application of the acquired knowledge. As a consequence, they have begun meeting every Monday and they are studying the idea of creating a productive consortium among the course's 25 companies.

The course graduates found that many of their problems were common to all in the areas of finance, technology and training. They think that creating a consortium might make it easier for them to access assistance that could help them solve structural and operative problems to be more productive and be able to export.

## **Second version of the Strategic Management Program for El Alto SMEs**

Considering the success of the Strategic Management Program for El Alto SMEs and the fact that many more companies were interested in participating, a second course was immediately prepared and initiated the first week of December, with the participation of 30 more SME entrepreneurs from El Alto. Participants for the second course were easy to identify based on previous applicants from the first training. In addition, participants from the first course recommended one to three other companies that met the necessary requirements.

The new course will end in March and will include the following modules. Commercialization and Sales; Managing Accounting and Basic Finance; Strategic Planning; Management, Leadership and Organizational Design, and Business Simulation.

## **A.4. Study of Current Employment Generated by the Manufacturing Export Sector in Bolivia since the Implementation of the ATPDEA and its Future Trends**

The study on job creation of exporting companies registered in the chambers of La Paz, Santa Cruz and Cochabamba ended on December 14. It was based on surveys and interviews applied to participating companies.

A draft report was delivered in December and was reviewed by CAMEX, CANEB and BTBC; as a consequence, we have asked the consultant to perform a methodological revision and a more in-depth analysis of the statistical information, as well as to do some cross-referencing with leading companies from the sectors analyzed. We expect to have the final report ready for dissemination by the end of January.



## ***B. Activities to Stimulate Production and Exports***

### **B.1 Textiles and Apparel**

#### **B.1.a Overview of BTBC Activities in the Sector**

Bolivian exports of apparel continue to grow; between January and October 2004 they reached a total of \$ 44.3 million, 24% higher than the same period in 2003. BTBC is contributing to this growth through technical assistance provided by its pool of specialized consultants in the following areas:

- **Production systems.** We provide basic assistance to SMEs but are also helping implement state of the art production systems through our project with Ametex.
- **Training.** We have extended our activities in this field to Tarija, where qualified labor is particularly scarce. We are coordinating with CEDEMYPE to develop a group of specialized consultants to provide training in different production systems and specific operations.
- **Incorporation of SMEs to the export chain.** Some of the large apparel companies in Bolivia are growing rapidly and need additional production capacity. BTBC is helping prepare SMEs for this type of subcontracting in the areas of manufacturing, printing, dyeing, etc. Examples in the jean business are Bogama, Val Fal, Batos and Antony.
- **Opening markets.** Several attempts are under way to enter the US Markets with a group of SMEs through trader Daniel Abugatas. Samples and quotations have been sent. Results are expected by the end of January.
- **Access to Finance.** BTBC completed a Business Plan for Rey Wear, which is being used to obtain a US\$250,000 loan to install a new dyeing plant.

#### **B.1.b BTBC Projects and Results in the Textiles and Apparel Sector**

BTBC-backed companies have increased exports this quarter by \$410,000 and local sales by \$232,000. Cumulative employment in assisted companies has increased slightly, due to the addition of REY WEAR, which subcontracts services from several SMEs. 118 new workers were trained this quarter.

The table below reflects BTBC's main results in the textiles and apparel sector:

#### ***Summary of Cumulative Results: Oct '03-Dec '04 – Textiles and Apparel***

<b>Company</b>	<b>New Jobs</b>	<b>New Exports US\$</b>	<b>New Local Sales</b>	<b>People Trained</b>	<b>New SMEs in export chains</b>
<b>BTX (MEL CONFECCIONE S)</b>	<b>29</b>	<b>237.069,80</b>	<b>122.000,00</b>	<b>90</b>	<b>7,0</b>
<b>CONFECCIONE S RECORD</b>	<b>45</b>	<b>1.053.923,90</b>	<b>-</b>	<b>150</b>	<b>5</b>

<b>MITSUBA</b>			<b>166.031,00</b>		
	<b>11</b>	<b>146.771,00</b>		<b>7</b>	<b>2,0</b>
<b>MAQUIBOL</b>	<b>87</b>	<b>1.052.103,67</b>	-	<b>50</b>	<b>7</b>
<b>ASEA-MYTEX.</b>	<b>38</b>	<b>909.934,01</b>	-	<b>150</b>	<b>4</b>
<b>ALFACH</b>	<b>35</b>	<b>123.000,00</b>	<b>38.000,00</b>	<b>12</b>	<b>3</b>
<b>VAL FAL</b>	<b>6</b>	<b>15.500,00</b>	<b>5.250,00</b>	<b>22</b>	<b>0,00</b>
<b>JHECCEM</b>	<b>15</b>	<b>3.500,00</b>	-	<b>5</b>	<b>0</b>
<b>MAKAM</b>	<b>6</b>	<b>13.040,00</b>	-	<b>2</b>	<b>0</b>
<b>TRAILER</b>	<b>11</b>	<b>20.000,00</b>	-	<b>10</b>	<b>0</b>
<b>TORINO</b>	<b>10</b>	<b>44.200,00</b>	-	<b>3</b>	<b>1</b>
<b>DINATEX</b>	<b>2</b>	-	-	<b>10</b>	<b>0</b>
<b>IMAGEN</b>	<b>1</b>	-	<b>4.050,00</b>	<b>1</b>	<b>0</b>
<b>CORCEL</b>	<b>0</b>	-	-	<b>0</b>	<b>0</b>
<b>TRES COLORES</b>	<b>4</b>	<b>9.000,00</b>	-	<b>44</b>	<b>0</b>
<b>DIM's JEANS</b>	<b>9</b>	<b>24.800,00</b>	-	<b>10</b>	<b>0</b>
<b>BATOS</b>	<b>31</b>	<b>46.450,00</b>	<b>80.200,00</b>	<b>45</b>	<b>0</b>
<b>BOGAMA</b>	<b>20</b>	<b>7.000,00</b>	-	<b>0</b>	
<b>REY WEAR</b>	<b>130</b>	<b>144.623,00</b>	-	<b>20</b>	<b>0</b>
<b>AMETEX</b>		-	-	<b>98</b>	<b>0</b>
<b>TEXTURBOL</b>	<b>0</b>	-	-	<b>12</b>	<b>0</b>
<b>ACOTAR</b>	<b>0</b>	-	-	<b>45</b>	<b>0</b>
<b>HOGARTEX</b>	<b>10</b>	-	<b>10.000,00</b>	<b>14</b>	

<b>UPC- Capacitaciones pool de consultores</b>		-	-	<b>300</b>	
<b>BANCO BISA</b>		-	-	<b>50</b>	
<b>TOTAL</b>	<b>499</b>	<b>3.850.915,38</b>	<b>425.531,00</b>	<b>1.150</b>	<b>29</b>

*AMETEX, La Paz.*

With BTBC support, Ametex is now completing implementation of the pilot module for the lean manufacturing technology provided by TC<sup>2</sup>. The pilot module is manned by nine Ametex operators and has achieved efficiency levels of 70% of international industry standards in less than two months.

There has been an important change in attitudes of the pilot module operators with regards to production, because they have understood the importance of quality and they have become involved in all stages of the production cycle. In a strong teamwork environment, the operators resolve their own problems and are empowered to do so.

The CEO of Ametex, Marcos Iberkleid, has expressed great satisfaction with the BTBC-backed intervention from TC<sup>2</sup>, especially with the upcoming rollout of the pilot module to other Ametex plants.

*Alfach Jeans, Cochabamba.*

During this quarter, BTBC helped Alfach consolidate its commercial relationship with a Chilean buyer named Justina Contrera y Jose Ortiz in Santiago, which has increased its orders to 15,000 garments per month. We have also helped Alfach implement a new production module consisting of six light machines to manufacture logo t-shirts for sale to local corporations and institutions.

*Batos, Cochabamba.*

During this quarter BTBC helped Batos deliver on the order that was obtained during a BTBC-supported sales trip to Santiago, as reported last quarter. Over 25,000 units have been exported to the client Antonio Amaya, Distribuidor de Prendas de Vestir. BTBC is now helping Batos produce samples for various additional clients in Santiago.

*Mitsuba, Santa Cruz.*

BTBC provided assistance in developing the garments and the planning of the production for two new clients, Fierres and The Mayer Group. Regrettably, some orders were lost because of insufficient time to knit the fabrics in Peru.

*Jeshem, Santa Cruz.*

With our support in production systems, machinery procurement, industrial design and training sewing operators, Jeshem is now considered ready for export production. Jeshem has implemented a new line with 12 operators to provide maquila-type garment assembly services. Its other two lines, with ten operators each, are producing exclusively for export. BTBC has also helped recruit a technical expert to put Jeshem's Gerber cutter back into operation, so that the company can provide cutting services to third parties and thereby increase much-needed revenues.

#### Rey Wear, El Alto.

Due to increased orders, we are pleased to report that Rey Wear has added two additional knitting groups, totaling 80 new people, and sub-contracted three SMEs with our assistance. BTBC has trained the head of each knitting group in costing and production. We also helped Rey Wear finalize its business plan, which allowed them to obtain a \$220,000 loan for their new dyeing facility.

#### Hogartex, El Alto.

This is a relatively new manufacturer of towels, with substantial growth potential. During the quarter, BTBC provided assistance in management systems and finishing techniques.

#### Batt, La Paz.

Batt is a subsidiary of the Ametex group that manufactures both fabrics and garments for the local market. Batt has five retail stores in the main Bolivian cities and is now developing a garment collection for sale across Latin America.

In order to meet the new demand, BTBC is assisting Batt in the creation of a planning and organization unit to manage subcontracting operations with SMEs.

#### ACOTAR, Tarija.

ACOTAR is the apparel manufacturers' association of Tarija and has about 30 members. At their request, BTBC is providing training for 45 sewing operators for the four SMEs thought to have the greatest export potential.

### **B.1.c Additional Activities in the Textiles and Apparel Sector**

- In order to assist our clients in their procurement of production inputs for their export orders, BTBC contacted three suppliers of garment manufacturing inputs in Colombia, namely Fabricato (fabrics), ECA (zippers) and Botonat (buttons).
- BTBC is providing assistance to the Cochabamba-based Premier group to inaugurate a small manufacturing operation in Tarija to produce for export to Paraguay and Argentina.
- The State Government of Tarija ("Prefectura") has agreed to lease a warehouse in Bermejo to create a distribution center from which Tarija-based manufacturers can service the area, which is a natural market for Tarija. BTBC deployed a reconnaissance mission to Bermejo to evaluate available premises and make recommendations.
- At the request of Peruvian garment trader Daniel Abugatas, BTBC organized four SMEs in La Paz to quote and produce samples of polo shirts and t-shirts for two export orders from the U.S., from TEXMABOL and Jeans Exports. The samples were shipped on December 22<sup>nd</sup>.
- As a result of meetings with DANIDA, the Danish Agency has invited two BTBC-backed companies to attend a fair in Denmark in February, with all expenses paid. These companies are Altifibers/Altifashion and Millma.
- Discussions were held with INFOCAL, with a view to jointly offering training courses in patterning and design and machine operation.

### **B.2 Secondary Wood Products**

#### **B.2.a Overview of BTBC Activities in the Sector**

As illustrated in the table below, Bolivian exports of wood products continue to grow at a steady pace:

<b>BOLIVIAN EXPORTS OF WOOD PRODUCTS</b> <b>January- October 2003/2004, US\$ millions</b>			
<i>Product</i>	<i>Jan-Oct 2003</i>	<i>Jan-Oct 2004</i>	<i>% change</i>
Sawn wood	18.57	25.05	34
<b>Sub-total primary wood products</b>	<b>18.57</b>	<b>25.05</b>	<b>34</b>
Doors and windows	10.47	12.67	21
Wood furniture	8.75	11.73	34
Other wood products	3.64	5.83	60
<b>Sub-total secondary wood products</b>	<b>22.86</b>	<b>30.23</b>	<b>32.2</b>
<b>TOTAL</b>	<b>41.43</b>	<b>55.28</b>	<b>33.42</b>

**Source : SIVEX**

The growth of secondary wood products has been driven primarily by wood furniture and flooring and decking, followed by windows and doors.

The dominant companies continue to be CIMAL and United in the furniture industry, and MABET and La Chonta in doors. Other companies such as Sali, UTD, Muebles Hurtado and Carpintería Don Fernando have increased their exports compared to 2003.

A significant constraint during this quarter was the limited availability of diesel fuel, which significantly reduced the output of saw mills that provide sawn wood to manufacturing and export companies. In some cases, diesel shortages caused delays in export shipments.

During this quarter, BTBC has started supporting companies in Tarija by contacting them with international buyers and providing production assistance to achieve compliance with international quality standards. BTBC has also worked with companies in Tarija to obtain financial resources from FORTALEZA.

The following is a summary of the main activities of BTBC wood sector consultants during this quarter:

- **Planning and production processes:** BTBC continues supporting the ongoing improvement of production plants, mainly medium and small companies located in Santa Cruz, La Paz and now Tarija. The objective of this assistance is to improve their production capacity in order to allow them to comply with international orders. More than 80% of the companies in the Bolivian wood sector are SMEs, having on average no more than 15 employees and an installed capacity to process up to 3,500 board feet. In order to fulfill larger export orders, it is frequently necessary to coordinate production among SMEs.
- **Kiln drying.** During this quarter BTBC concentrated its kiln drying efforts in Cobija and Cochabamba, helping make integral improvements to the entire drying process. BTBC technical assistance included appropriate loading of the kilns to increase productivity, air speed control and humidity reduction. BTBC also inspected equipment to ensure proper functioning, and we alerted our clients to problems such as clogged air ducts, low turbine

speeds and heat loss due to poor insulation. Significant improvements in drying times have been achieved through implementation of BTBC recommendations, for instance a reduction from 48 to 33 days drying time for mahogany. We expect to further reduce this time to 25 days. BTBC also developed drying curves, based on the model developed by the Madison Research Laboratory in the U.S. for the *mapajo* wood species.

- **Classification and cutting of sawn lumber:** This quarter saw a substantial increase in BTBC technical assistance related to pre-dimensioning sawn wood. BTBC has worked primarily with saw mills that process alternative wood species, such as IMAPA and SAGUSA. Lumber throughput has been reorganized and redistributed. Radial cuts have been introduced to replace parallel cuts, substantially increasing the yield in hard woods. Logging workers have been trained to perform certain cutting operations in the forest, thus saving time in the saw mill. In addition, personnel have been trained on immersion techniques to rid logs of stains and fungus for higher quality sawmill input.
- **Chain of custody certification:** BTBC has continued supporting saw mills and drying operations to implement Smartwood/Forestry Stewardship Council (FSC) recommendations. This quarter FSC visited IMAPA and SAGUSA and made recommendations related to maintaining a strict separation of uncertified and certified wood, improving industrial safety in the sawmill and improving signage in the entire production area. BTBC helped to implement these recommendations and, as a result, we expect that both companies will receive extensions of their FSC certifications for another year.
- **Market linkages and commercialization:** BTBC has been very active this quarter as follows:
  - Through the pool of consultants, BTBC has been able to encourage SMEs to subcontract parts and pieces and flooring. For example, through BTBC contacts SOEX outsourced from Schmidt Wood and Ultimate Design, and BTBC provided technical assistance to help Casablanca outsource garden furniture from San Joaquin.
  - BTBC has made significant efforts in Tarija, by initiating a project with COMAS in coordination with the Danish Cooperation Agency DANIDA. BTBC helped COMAS manufacture samples for prospective Danish buyers based on Danish designs. These samples will be exhibited at the Danish Furniture Trade Fair in May. We have also worked with GINKO, helping them to close a trial order with the US buyer Globex Inc. Hardwood Flooring for two containers of flooring.
  - BTBC has developed several samples for New Hemisphere, a Tampa-based buyer. The CEO Mark Montgomery, a major customer of Hurtado and Fatima, asked for BTBC support to develop additional suppliers. New Hemisphere is opening markets for new products and is interested in expanding its network of suppliers in Bolivia. BTBC supported him in the organization and design of a new production line and in the entire sample development process.
  - BTBC has also helped companies increase their local sales within Bolivia. For example, through a BTBC contact, Mueblería López obtained an important contract to furnish a hotel in La Paz.

## B.2.b BTBC Projects and Results in the Wood Products Sector

Cumulative employment in secondary wood products has decreased with respect to last quarter, basically because a number of companies that received assistance early in the year generated an important number of jobs that was later reduced, as some purchase orders were cut back. This brought down our figure of permanent jobs created, as we averaged the monthly amount of jobs created during the life of the project.

*Summary of Cumulative Results: Oct '03-Dec '04 – Wood Products*

<b>Companies</b>	<b>New Employees</b>	<b>New Exports US\$</b>	<b>New Local Sales</b>	<b>People Trained</b>	<b>New SMEs in export chains</b>
<b>CASA BLANCA</b>	<b>34</b>	<b>197,040.00</b>	<b>-</b>	<b>14</b>	<b>12,0</b>
<b>Mobilia</b>	<b>10</b>	<b>52,000.00</b>	<b>-</b>	<b>40</b>	<b>0,0</b>
<b>Ultimate Design - Calderon</b>	<b>9</b>	<b>53,400.00</b>	<b>4,000.00</b>	<b>10</b>	<b>2,0</b>
<b>Mabet-Pacahuaras</b>	<b>100</b>	<b>300,000.00</b>	<b>80,000.00</b>	<b>148</b>	<b>0,0</b>
<b>Muebles Hurtado</b>	<b>46</b>	<b>245,854.00</b>	<b>-</b>	<b>64</b>	<b>0,0</b>
<b>Somain</b>	<b>22</b>	<b>72,396.00</b>	<b>3,000.00</b>	<b>29</b>	<b>0,0</b>
<b>CIMAL</b>	<b>6</b>	<b>620,000.00</b>	<b>-</b>	<b>12</b>	<b>0,0</b>
<b>Schmidt Wood</b>	<b>4</b>	<b>14,500.00</b>	<b>-</b>	<b>8</b>	<b>1,0</b>
<b>Línea Rústica (*)</b>	<b>8</b>	<b>13,152.00</b>	<b>-</b>	<b>0</b>	<b>0,0</b>
<b>KAoba</b>	<b>0</b>	<b>26,800.00</b>	<b>-</b>	<b>0</b>	<b>0,0</b>
<b>IBEMA</b>	<b>9</b>	<b>63,022.00</b>	<b>-</b>	<b>22</b>	<b>2,0</b>
<b>UNITED</b>	<b>163</b>	<b>1,000,000.00</b>	<b>-</b>	<b>1238</b>	<b>0,0</b>
<b>SOEX</b>	<b>8</b>	<b>30,000.00</b>	<b>-</b>	<b>1</b>	<b>3,0</b>
<b>SAGUSA</b>	<b>13</b>	<b>80,000.00</b>	<b>-</b>	<b>70</b>	<b>0,0</b>
<b>SALI</b>	<b>4</b>	<b>27,000.00</b>	<b>-</b>	<b>6</b>	<b>0,0</b>
<b>PROMAD</b>	<b>11</b>	<b>850.00</b>	<b>-</b>	<b>4</b>	<b>0,0</b>

<b>MONTANA</b>	<b>6</b>	<b>-</b>	<b>6,000.00</b>	<b>7</b>	<b>0,0</b>
<b>BTL</b>	<b>5</b>	<b>17,700.00</b>	<b>-</b>	<b>8</b>	<b>2,0</b>
<b>ECOWOODS</b>	<b>2</b>	<b>3,500.00</b>	<b>-</b>	<b>3</b>	<b>0,0</b>
<b>FATIMA</b>	<b>0</b>	<b>-</b>	<b>-</b>	<b>0</b>	<b>0,0</b>
<b>IMAPA</b>	<b>18</b>	<b>45,000.00</b>	<b>-</b>	<b>67</b>	<b>0,0</b>
<b>COMAS</b>	<b>6</b>	<b>-</b>	<b>-</b>	<b>12</b>	<b>0,0</b>
<b>CHINGA DECORACIONES</b>	<b>2</b>	<b>-</b>	<b>-</b>	<b>2</b>	<b>0,0</b>
<b>MUEBLERIA LOPEZ</b>	<b>8</b>	<b>-</b>	<b>15,000.00</b>	<b>0</b>	<b>0,0</b>
<b>TOTAL</b>	<b>491</b>	<b>2,862,214.00</b>	<b>108,000.00</b>	<b>1.765</b>	<b>22,0</b>

**The following are the companies which BTBC assisted this quarter:**

**Muebles Hurtado, Santa Cruz**

BTBC concluded its support for Hurtado's night shift producing garden furniture. A BTBC consultant started up and managed the night shift for several months. Over 40 workers were trained in wood classification and preparation, patterning, tool usage, route sheets, sanding and quality control. With the improvements in production and management techniques, Hurtado has become one of the leading companies in the sector. Hurtado continues being the major supplier for Casablanca, with ongoing BTBC assistance to comply with production orders and specifications.

**San Joaquín Santa Cruz**

This is a small company sub-contracted by Casablanca to produce outdoor furniture for the US market. This company has excellent tools but doesn't have adequate equipment for serial production. San Joaquin presented several constraints to manufacturing quality products, including inadequate raw materials, imprecise angles and irregular cuts that did not fit in the joints. Workers did not have necessary skills. This quarter BTBC provided assistance to San Joaquin including the development of three alternative plant layouts, training for the workers and classification of wood.

**Casablanca International, Santa Cruz and High Point, North Carolina**

BTBC continued to support Casablanca by providing production assistance to its suppliers, Hurtado, Somain and San Joaquin.

**Somáin. Santa Cruz**

This quarter Somain faced a decrease in its export orders. In order to retain its recently hired workers, BTBC helped the company shift part of its production to the local market. For example, BTBC is helping Somain manufacture an order for 1,000 desks for the Military University in La Paz.



Casablanca has provided Somain a set of blueprints to produce 6 style designs for the US market. BTBC helped Somain management calculate the production costs for these.

### **Muebles Fatima, Santa Cruz**

BTBC supported Fatima in the development of their garden furniture product line. In October Fatima received a small trial order from New Hemisphere, which was then increased to a full 40' container. BTBC supported the company in production planning and control, sample supervision and approval, sawn wood quality control and standardization of the Anaconda styles.

### **Chinga Decoraciones Santa Cruz**

BTBC provided assistance to Chinga Decoraciones principally in management. BTBC helped define administrative and operating roles and responsibilities, develop an operational flowchart and manual and produce the first set of formal financial statements since the company began operating 20 years ago. During 1Q05, BTBC plans to support the company in production planning and controls, solving problems related to low worker productivity and resolve a variety of weaknesses within the production process.

### **IMAPA, Cobija**

In order to increase productivity and yield in sawmill operations, BTBC provided extensive assistance to IMAPA in three areas during this quarter, namely felling trees in the rainforest, sawmill cutting procedures for different species, and warehousing and classification of the wood. In tree felling, BTBC made recommendations on homogenizing the size and diameter of the trunks to optimize processing times in loading, transportation and cutting. In sawmill processes, BTBC showed IMAPA how to position the trunks on the processing trolleys in order to make radial rather than tangential cuts, achieving yield increases of up to 40%. We performed a time and movements study and balanced the production line to reduce bottlenecks.

We reviewed the organization of the sawmill process and made recommendations for adjusting the functions of each worker. We made technical improvements to the band saw which drastically reduced band breakages and consequent downtime.

### **SAGUSA, Cobija**

During this quarter Sagusa obtained an important order from a European buyer for the wood species Mapajo cut in Surfaced 4 Sides (S4S). Because Sagusa has never worked with this species before, they sought BTBC assistance to enable appropriate delivery. BTBC provided assistance including the following: chemical treatment to preserve the logs, as Mapajo is a soft species needing to be treated with fungicides and insecticides in a ponding process prior to sawmilling. Pre-dimensioning of lumber and improved saw bands to reduce bottlenecks and downtime in the sawmill process. Development of an integral kiln drying process for Mapajo by adapting a program from the Madison Laboratory in the US, and utilizing a vertical rather than horizontal stacking technique in the kilns to avoid twisting and warping. Training for staff on post-kiln chemical treatment to protect against insects and fungus.

### **Mueblería López La Paz:**

This small company requested BTBC support to install a new plant. BTBC consultants designed and implemented the lay out. We also helped the company obtain an order to outfit a

hotel in La Paz and provided assistance in the design of the wooden furniture, doors, moldings and closets for this contract job. Once the designs were approved, BTBC developed a program to calculate production costs and make provide pro-forma quotes. Additionally, BTBC is helping the company in the development of new experimental wood dryers.

### **SOEX La Paz**

During this quarter BTBC was instrumental in helping SOEX obtain much-needed financing from Procredito. BTBC helped the company develop its business plan, with which Soex was able to obtain working capital finance in the amount of US\$ 40,000 from Procredito. These funds are being used to buy raw materials for the production of an export order. BTBC also helped SOEX sub-contract part of the production to two SMEs, namely Ultimate Design and Schmidt Wood.

### **Mabet - Pacahuaras, La Paz & Riberalta**

During this quarter Mabet generated significant results arising from support provided by BTBC during the last quarter (see the previous quarterly report), and indeed it has become the company with the highest growth in the sector. In the period January to November, Mabet increased its production by 22% compared with the same period last year. During this quarter, BTBC provided assistance in balancing the production lines utilizing both new and existing machinery. In addition, BTBC assisted in a variety of areas such as the development of production lines to manufacture flooring and outdoor furniture, designing a dust extraction system for the new plants, time and movement studies and resolving bottle necks in molding production.

### **COMAS, Tarija**

In a joint effort with the Danish cooperation agency, BTBC is supporting COMAS in the production of indoor and outdoor furniture samples for the Danish market. Designs were developed by Jacob Berg, a likely future partner of the company. A visit of a representative of the Chamber of Danish SMEs, Steffen Thomsen, is expected during 1Q05. The idea behind this visit is to match-make a joint between COMAS and a Danish partner in order to market the products in Denmark. To date, ten prototypes have been developed and additional designs are underway.

### **Federación de Pequeños Empresarios, Tarija**

BTBC provided assistance to 4 SMEs belonging to this association to install operations in the industrial zone in Tarija. BTBC produced a detailed inventory of equipment and produced energy consumption projections. The installation phase was completed in December and we provided technical assistance to start production. These SMEs have the capacity to produce both flooring and furniture. BTBC has introduced them to Casabalanca and initial conversations are underway, with a view to a possible production order for export to the US.

### **GINKO, Tarija**

This company has obtained an order from US-based GLOBEX Inc. owned by Gerhard Lamprecht. Mr. Lamprecht has placed an order for two containers per month of flooring produced with the species Quina Quina and Tajibo. During the quarter BTBC helped organize Ginko's relocation to new premises. BTBC is also helping Ginko to apply for

financing from Fortaleza. Ginko needs US\$35,000 to finance the acquisition of new equipment.

### **INDUSTRIAS JEREZ, Tarija**

This is the oldest industry in Tarija. They have recently purchased a saw mill to improve their wood supply, which has been a difficult constraint in the past. They have obtained export orders from buyers in Paraguay and need a steady supply of sawn wood. BTBC provided assistance in developing the layout for setting up the new saw mill. Implementation is planned for 1Q05.

### **B.3 Fine Fibers, Leather and Jewelry**

#### **B.3.a Overview of BTBC Activities in the Sectors**

This quarter BTBC continued expanding its activities in the fine fibers sector by commencing assistance programs to three new companies. On the other hand, there has been no new BTBC activity in the jewelry and leather sectors.

**Fine fibers.** The fine fiber sector is still new for BTBC. Fine fiber manufacturing companies are small and numerous and are concentrated in the cold regions of the country. Alpaca garments are directed at medium and high-end markets, being exported in low volumes. Most alpaca garment manufacturers need support in design, employee training and marketing. It is important to market the benefits of camelid fibers (alpaca and llama) in the target markets. It is perhaps even more important to adjust Bolivian designs so that they are appealing to target market consumers.

The following is a summary of BTBC's activities in the fine fibers sector:

- **Production Systems.** This quarter BTBC has worked extensively to help companies improve the following key areas: productivity, increasing capacity, production planning and control, inventory management and implementation of additional production lines.
- **Quality Control.** In many of the interventions BTBC has helped implement various quality control systems and mechanisms. Quality control is fundamental to secure clients. It is also important for reducing costs through early detection of defects and minimizing rejects.
- **Design.** Design is critical for the success of Bolivian camelid products in the international markets. During this quarter, we developed the winter 05/06 collection for Fotrama, based on the market trends and major wool inventories owned by the company. Most camelid companies need support in this area.
- **Opening Markets.** BTBC-backed companies continue harvesting results from the BTBC/CANEB Business Development Project. Examples of fine fiber companies with growing exports resulting from these interventions are Altifashion with more than US\$ 36,000 for 4Q04 and US\$ 100,000 for 2Q05. Intiwara is also projecting an initial trial order of US\$ 10,000 for 2Q05 with one of the major sweater companies in the US.
- **Training.** BTBC has provided training in a diversity of areas, including design, quality control, costing and quoting, production systems and broad management.
- **Diagnoses and Recommendations.** BTBC has done in-depth diagnostic evaluations of several companies to help them identify their internal constraints and develop

recommendations as to how to overcome them. These diagnoses have been followed by BTBC interventions to help apply the recommendations.

- **Hand-knitting garments.** BTBC is providing assistance to three hand-knitting groups, namely Fotrama, an association which produces its garments through 16 groups totaling over 300 women, Altifiber/Altiknits, a company outsourcing production to a further 300 women and ASARBOLSEM, an association which groups approx. 1,000 women, 400 directly and the rest through production cooperatives and farmer associations.
- **Subcontracting Production:** In a variety of instances, BTBC has made introductions between companies that have resulted in subcontracts for production. For example, BTBC is helping a dominant exporter of camelid garments identify small and medium textile manufacturing companies to which to outsource industrially knitted garments

**Leather Sector.** Macaws continued being our major project within the leather sector. The project ended in November, and all major objectives were accomplished. We helped Macaws to maintain the ISO 9001 certification, to obtain the OSHAS 18000 certification, making it the first Bolivian company to obtain the OSHAS 18000. At this point, the company is ready to obtain the ISO 14001. We expect Macaws to obtain this certification during the first quarter of 2005. In addition, thanks to our support in the area of training, Macaws consolidated its export business to Venezuela, in addition, there has been a substantial growth of its brand Bellagio in the US, being the only Bolivian brand marketed through internet.

**Jewelry Sector.** Exportadores Bolivianos, the gold and silver jewelry manufacturer which received BTBC assistance in 2003 to open a new production plant in Bolivia, continues growing and generating very substantial exports to the U.S. Minerales y Metales (M&M), the producer of gemstones which received BTBC assistance earlier in the year to implement a new jewelry manufacturing plant, is expanding its local jewelry business, having opened two retail jewelries in Santa Cruz.

### **B.3.b BTBC Projects and Results in the Fine Fibers, Leather and Jewelry Sector**

The fine fibers sector generated more than 100 new jobs this quarter and new exports of more than \$360,000. In addition, BTBC has made a major effort this quarter by providing training for about 500 people in fine fiber activities.

In the leather sector, the assistance provided to Macaws has contributed to an increase of 72% in the company's total exports with respect to last year. Vis-à-vis last quarter, exports this quarter have increased by \$120,000 and 20 new SMEs have been incorporated into Macaws' export chain. The company has achieved certifications for ISO 9001 and OSHAS 18000, and is preparing for certification in ISO 14001 expected by March 2005. In sum this company with the five training courses in leather upholstery, two in machine maintenance and five in small leather goods manufacturing techniques, has trained 210 people, hired 78 people and incorporated 47 new SME's to its export chain.

In the jewelry sector BTBC provided assistance in earlier quarters, and we will continue reporting the results of our interventions until the end of the project. We highlight that the majority of jobs that were created in Exportadores Bolivianos have been maintained. This company alone represents 74% of Bolivia's total jewelry exports. In the period

January to October 2004 it exported \$37.5 million, representing an increase of 31% versus the same period the previous year. Exports attributable to BTBC's intervention are over double the company's commitment to BTBC – the commitment was US\$ 5 million in new exports and to date they have surpassed US\$ 12 million.

As with the table of general results, the following table now includes number of people trained and local sales.

**Summary of Cumulative Results: Oct '03-Dec '04**  
**Fine Fibers, Leather and Jewelry**

<b>Companies</b>	<b>New Employees</b>	<b>New Exports US\$</b>	<b>New Local Sales</b>	<b>People Trained</b>	<b>New SMEs in export chains</b>
<b>Milos International</b>	<b>22</b>	<b>138,574.31</b>	<b>41,874.74</b>	<b>3</b>	<b>0,0</b>
<b>Origenes Bolivia</b>	<b>9</b>	<b>37,166.74</b>	<b>3,286.00</b>	<b>4</b>	<b>1,0</b>
<b>Altifashion</b>	<b>13</b>	<b>86,000.00</b>	<b>4,000.00</b>	<b>2</b>	<b>1,0</b>
<b>Altifibers</b>	<b>17</b>	<b>42,500.00</b>	<b>-</b>	<b>2</b>	<b>6,0</b>
<b>Fotrama</b>	<b>18</b>	<b>86,027.60</b>	<b>45,848.00</b>	<b>332</b>	<b>0,0</b>
<b>Knitted Apparel</b>	<b>9</b>	<b>36,000.00</b>	<b>-</b>	<b>2</b>	<b>0,0</b>
<b>**Gloria Thaine</b>	<b>5</b>	<b>9,000.00</b>	<b>-</b>	<b>0</b>	<b>0,0</b>
<b>**Alpaca Style</b>	<b>0</b>	<b>16,000.00</b>	<b>-</b>	<b>0</b>	<b>0,0</b>
<b>**Terraltas</b>	<b>0</b>	<b>10,000.00</b>	<b>-</b>	<b>0</b>	<b>0,0</b>
<b>**Intiwara</b>	<b>3</b>	<b>1,500.00</b>	<b>-</b>	<b>5</b>	<b>0,0</b>
<b>**Shalom</b>	<b>5</b>	<b>105,390.02</b>	<b>30,511.97</b>	<b>4</b>	<b>0,0</b>
<b>Asarbolsem</b>	<b>0</b>	<b>-</b>	<b>-</b>	<b>75</b>	<b>2,0</b>
<b>*Patterning and Design Workshops</b>	<b>0</b>	<b>-</b>	<b>-</b>	<b>60</b>	<b>0,0</b>
<b>*Design Workshop</b>	<b>0</b>	<b>-</b>	<b>-</b>	<b>100</b>	<b>0,0</b>

<b>SUBTOTAL FINE FIBERS</b>	<b>101</b>	<b>568,158.67</b>	<b>125,520.71</b>	<b>589</b>	<b>10</b>
<b>Export. Bolivianos</b>	<b>89</b>	<b>12,382,393.35</b>	<b>-</b>	<b>138</b>	<b>0,0</b>
<b>Minerales y Metales</b>	<b>0</b>	<b>-</b>	<b>-</b>	<b>0</b>	<b>0,0</b>
<b>SUBTOTAL JEWELRY</b>	<b>89</b>	<b>12,382,393.35</b>	<b>-</b>	<b>138</b>	<b>0</b>
<b>Macaws</b>	<b>78</b>	<b>648,577.19</b>	<b>2,458.51</b>	<b>210</b>	<b>47,0</b>
<b>SUBTOTAL LEATHER</b>	<b>78</b>	<b>648,577.19</b>	<b>2,458.51</b>	<b>210</b>	<b>47</b>
<b>TOTAL</b>	<b>268</b>	<b>13,599,129.21</b>	<b>127,979.22</b>	<b>937</b>	<b>57</b>

The following are the companies in which BTBC made interventions this quarter:

*Milos International, Fine Fibers, La Paz.*

During 2004, Milos' sales increased substantially, over 100% increase in exports and a 45% growth of local market sales. During this quarter, Milos (Liliana Castellanos) closed export deals with Steeng Olesen of Visto International, a Danish company specialized in the direct sale of coats and suits in Copenhagen. The BTBC-brokered commercial relationship with US client Linda Richards continues growing. During the quarter, BTBC has provided support to Milos in the areas of production planning and control, costs control, inventories, and training of new personnel in quality control.

*Altifashion, Fine Fibers, La Paz.*

This quarter, BTBC provided assistance to Altifashion to implement a new system to control inventory and work in process, which will generate two new jobs. In addition, a US\$ 100,000 order is expected for 2Q05, as a result of the BTBC/CANEB Business Development Project in the U.S.

*Altifiber/Altiknits, Fine Fibers, La Paz.*

In the previous quarter, a BTBC diagnosis resulted in a number of recommendations to improve production systems and quality control. Implementation of these recommendations has commenced this quarter. In addition, through a BTBC contact, the Danish Cooperation Agency DANIDA, has invited Altifiber/Altiknits to participate in the Danish garment fair in February with all expenses paid.

*Orígenes Bolivia, Fine Fibers, La Paz.*

No new activity.

*Millma, Fine Fibers, La Paz.*

As in the case of Altifiber/Altiknits, through a BTBC contact, the Danish Cooperation Agency DANIDA, has invited Millma to participate in the Danish garment fair in February with all expenses paid.

Knitted Apparel, Fine Fibers, La Paz.

During the quarter, BTBC provided assistance to Knitted Apparel in production systems and quality control.

Shalom, Fine Fibers, La Paz.

BTBC continues providing assistance to Shalom in management, production systems and quality control.

Fotrama, Fine Fibers, Cochabamba.

BTBC provided extensive assistance to Fotrama in production systems, quality control and cost analysis to prepare quotations. Over 300 women were trained in the new quality control systems.

In addition, BTBC is supporting FOTRAMA in the development of the 2005/6 Winter Collection, through a local designer, who is working in coordination with the company's design and development department. The new collection will be presented to potential clients during 1Q05. The new collection is being developed considering not only market trends, but also the wool inventories owned by the Company. Fotrama has important unused wool inventories, that once converted into sweaters and exported to Europe would represent sales for more than US\$ 200,000.

Intiwara, Fine Fibers, La Paz.

Intiwara and Icelandic have jointly developing a collection for 2005. Samples have been shipped to prospects. A US\$ 10,000 trial order is expected for 2Q05.

**Asociación Artesanal de Bolivia Señor de Mayo, ASARBOLSEM, Fine Fibers, La Paz**

ASARBOLSEM is an Association composed of 19 production groups employing over 400 people, of which 95% are female and 5% are male. They produce different types of handicrafts and alpaca garments are their most important product line. ASARBOLSEM exports its production mainly to Europe and it has received various awards in Europe and from the United Nations in recognition of its work.

BTBC is assisting ASARBOLSEM with a "Training Program in Textile Craft Production" for two new groups with over 75 additional people. BTBC is also providing technical assistance to improve the competitiveness of the organization as a whole.

**Beatriz Canedo Patiño ( BCP), Fine Fibers, La Paz**

BCP Alpaca Designs is a pioneer in the Bolivian fashion industry and has been in operation for 18 years, competing in the international high fashion markets with designer garments made from Bolivian fine Fibers. The company currently exports to Asia, Australia, Canada, Europe and the United States. It sells locally in Bolivia through three company-owned retail boutiques in La Paz and Santa Cruz. About 40% of BCP's production is exported and the rest is sold in the local market.

BCP has significant potential growth, but it is over-leveraged and is facing cash flow pressure. In order to move to the next level, BCP is seeking a strategic investor. BTBC is assisting by retaining Profin, a local investment bank, to develop an information memorandum and help BCP the approach to potential investors. BTBC is also providing

technical assistance to help BCP transition from tailor-made to industrial manufacturing.

### **COPROCA, Fine Fibers, La Paz**

COPROCA is a cooperative composed of approximately 1,200 families that raise alpaca herds for supply to COPROCA. COPROCA's main activity is spinning alpaca yarn, and importantly they are beginning to spin de-haired llama yarn. During the quarter, BTBC began an assistance program to help COPROCA obtain ISO 9001 certification. In 1Q05, BTBC also plans to provide technical assistance in the area of industrial alpaca dyeing.

#### Exportadores Bolivianos, Jewelry, La Paz.

BTBC has not provided assistance to Exportadores Bolivianos this quarter. However, Exportadores Bolivianos' exports continue to grow as a result of BTBC's pivotal intervention in 2003. To date over US\$ 12 million in new exports have been generated as a result BTBC's intervention.

#### Minerales y Metales (M&M), Jewelry, Santa Cruz.

No new activity.

#### Macaws, Leather Goods, Cochabamba.

Over the past year, BTBC has provided extensive assistance to Macaws (see previous quarterly reports). This quarter, Macaws closed a deal with a Venezuelan buyer for celular phone cases. This new commercial relationship represents a firm order for 100% of the installed capacity of Macaws' and its SME suppliers. Macaws' exports for the period Sep 03- Dec 04 were US\$731k, almost doubling its exports over the same period prior to receiving BTBC support. Having helped Macaws obtain ISO 9001 and OSHAS 18000 certification, BTBC continues working with the company towards ISO 14001 certification, expected by March 2005.

In order to supply the increased demand from the Venezuelan client, MACAWS is implementing a second production line. BTBC plans to provide training for the new workers and additional SMEs.

## **B.4 Market Linkages Activities**

### **B.4.a Market Linkages in Textiles and Apparel**

- BTBC has continued working with Peruvian garment trader Daniel Abugatas, who has placed an order on behalf of a US buyer. BTBC is coordinating production by four SMEs to manufacture this order.

### **B.4.b Market Linkages in Secondary Wood Products**

- DANIDA – BTBC, have established a strategic alliance for the introduction of Bolivian furniture into Denmark, using Danish designs and market trends.
- Globex Inc. is a company interested in buying at least 10 containers of flooring per month, manufactured with different wood species. BTBC made the initial contact and is supporting local companies to comply with this objective.
- New Hemisphere, is a company that was already working in Bolivia, but is now looking into increasing its operations. BTBC is supporting in the development of designs and prototypes.



- Scandi Wood, a potential Danish investor is willing to install a new industry or a collection hub in Bolivia. BTBC is organizing the itinerary for a visit in February.

#### **B.4.c Market Linkages in Fine Fibers, Leather and Jewelry**

- Two fine fiber companies were selected to go to a fashion show in Denmark. Through BTBC support and coordination with the Danish Cooperation Agency DANIDA, two BTBC-backed camelid companies (Altifibers/Altifashion and Millma) were selected to participate in the fashion fair that will take place in Denmark next February. It is important to point out that DANIDA finances 100% of the participation costs.
- Visto International, Denmark. Steeng Olesen, General Manager of Visto International, a company specialized in selling coats and suits through his own boutique chain, visited Bolivia to coordinate actions with Milos International and meet new suppliers. BTBC introduced him to Origenes Bolivia, Shalom and Knitted Apparel. Samples and quotes are being prepared and additional orders may arise as a result.

#### **B.5 Increasing Access to Capital**

- BTBC supported GINKO and SOEX to obtain financing in the amount of US\$75,000 through Precrédito and Fortaleza.

#### **B.6 Training for the Productive Sector**

Since its inception, BTBC has provided training for 3,784 people: 1,765 in wood products, 1,082 in garment manufacturing, 589 in fine fibers, 210 in leather and 138 in jewelry. Much of this training was on-the-job, but we also trained people in structured workshops or seminars. Some examples of BTBC training during this quarter include:

- As part of its BTBC-backed intervention in Ametex, TC2 has conducted three courses which were attended by 90 Ametex employees. They received training in remuneration systems, quality control and implementation of lean manufacturing.
- During the quarter, BTBC began the training program for 45 sewing operators belonging to the Apparel Association of Tarija (ACOTAR).
- BTBC is providing training to the workers of the three SMEs in La Paz that are being sub-contracted by Rey Wear for export production.
- BTBC trained 123 people in several companies the secondary wood products sector.

#### **B.7 Major Events and Other Activities**

**USAID/Bolivia Mission Director's Visit to Cochabamba.** In December USAID/Bolivia Director Liliana Ayalde visited BTBC-backed companies in Cochabamba, namely Alfach and Batos. The Director was favorably impressed with the two plants and BTBC's work.

**Apparel specialist visit to Bolivia.** In October Pete Minor, an international trade expert specializing in textiles and data analysis, visited Bolivia invited by USAID to evaluate the potential impact to Bolivia if the U.S. imported Bolivian textiles once U.S. import quotas from Asia are lifted.

BTBC arranged and coordinated an extensive six-day itinerary for Mr. Minor including

meetings with public sector authorities and key Bolivian players in the textile/apparel business in La Paz and Santa Cruz. BTBC's agenda for Mr. Minor included senior level round table discussions as well as individual meetings with the Vice Minister of Industry, Commerce and Exports Mr. Juan Carlos Iturri, the Vice Minister of International Economic Relations Mr. Isaac Maidana, members of the Foreign Office treaty negotiating team, the Director of the Bolivian Investment Promotion Program Jorge Gottret and virtually all of the principal private businesspeople in the sector.

Towards the end of his visit, Mr. Minor made a public presentation during which he outlined the risks and opportunities that Bolivia faces in the new market environment, once the Asian quotas disappear. His major conclusion and concern was the apparent absence of a national development strategy for the sector. The strategy to be developed should address local and international markets, FTAs, laws and regulations, financing, promotion, technological and industrial development and services needed to develop the industry.

**High Point International Furniture Market.** In October, Carlos Woolgar attended the High Point Market to evaluate the opportunity of using that event to market Bolivian secondary wood products and to make recommendations on an appropriate strategy. This is certainly a major event in the furniture industry and BTBC should help Bolivian companies attend. However, the location of the Bolivia stand must be carefully selected well in advance, and the selection of samples to be displayed and pricing must be both fashionable and competitive. There are a number of smaller more specialized fairs that are also worth attending.

**Visit to TC<sup>2</sup> headquarters in Cary, NC.** Carlos Woolgar visited TC<sup>2</sup> headquarters in October to hold discussions on a potential expanded role for TC<sup>2</sup> in Bolivia. The prospects are exciting, as lean manufacturing technology is applicable to all of the labor-intensive industries that BTBC is assisting.

## SECTION IV

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### Project Issues

#### ***A. IPR Initiative Reactivated***

After a long wait, on December 20<sup>th</sup> the government enacted Supreme Decree No. 27938, which establishes the legal and institutional framework for the strengthening of the Intellectual Property Rights (IPR) Regime in Bolivia, through the Servicio Nacional de Propiedad Intelectual.

#### ***B. Technical Assistance and Project Closure***

As the close of BTBC approaches, a number of short term consultant contracts are expiring and the project's level of activities is decreasing. Some companies are seeking technical assistance for February and March, and with the proximity of project close it is becoming more difficult to accommodate their requests.

In addition, it is important to note that many of the interventions executed this quarter and during 1Q05 will not show results before the end of BTBC 1, since technical assistance often requires several months to produce effects on exports and employment.

#### ***C. Counterpart Contributions to BTBC Interventions***

The quantity and nature of counter-part contributions has improved during BTBC. We are now consistently obtaining counter-part contributions for all of our interventions.

#### ***D. Wood Collection Hub Reactivated***

Despite the promotional efforts supported by BTBC, only two private sector proposals were presented to USAID and FUNDAPRO to participate in this project. The proposals are currently being analyzed to determine if they meet the required standards; otherwise, the project will remain stalled.

## **SECTION V**

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### **Major Activities for Next Quarter**

#### **A. Activities Geared to Improving the Business Environment, Including Institutional Strengthening**

##### **A.1 Communication Campaign: “Foreign Trade and National Development”**

Once the mass media component has ended, activities will focus on specialized publications, seminars and educational workshops, as well as on evaluating the impacts of the campaign. These activities will include:

- Symposium on "Regional Potential for the Development of Exports", to be carried out in Santa Cruz, Cochabamba and La Paz.
- Workshops about how to increase exports to the U.S. in selected sectors: La Paz (textiles, wood, jewelry); Cochabamba (textiles and agro-industry), Santa Cruz (textiles, wood and agro-industry)
- Special supplement on weekly newspaper “La Epoca” on the Andean free trade Agreement with the US
  - Objectives: To provide a forum on different aspects related to the FTA with the U.S. and its importance in developing exports
  - Contents: Interviews with authorities and experts related to the topic, opinion columns, figures and statistics and interest pieces.
  - Edition: 9000 copies nation-wide
  - Audience: decision makers such as entrepreneurs, diplomats, political leaders, intellectuals, scholars and social and labor leaders.
  - 1000 additional copies for college seniors majoring in subjects that have a foreign trade component
- During this reporting period, CAMEX has edited and circulated the specialized magazine “Bolivia Exporta, Bolivia Crece”, containing valuable information on foreign trade matters. BTBC will support CAMEX in this effort by providing computer and editing equipment.
- Evaluation of the mass media campaign and the informative/educational component of the events already carried out, through a series of 10 focal groups distributed in the following way: 3 in La Paz, 2 in El Alto, 2 in Cochabamba and 3 in Santa Cruz. This qualitative evaluation method will yield information about the impact, credibility and new attitudes and perceptions regarding exports and the FTA.

##### **A.2 Strategic Training for SMEs**

- Monitoring and control of the second SMEs strategic management course. Special consideration will be given to participant’s concerns in terms of applying strategic tools to their particular business.
- The second course will end on March 3<sup>rd</sup>, 2005. We expect to have a graduation ceremony shortly thereafter, with the presence of public and private authorities.

##### **A.3 Intellectual Property Rights**

Now that the legal norm that guides the restructuring and re-orientation of SENAPI has been approved, we will discuss with the GOB possible next steps that could be accomplished by the project by the end of March 2005, including assisting SENAPI in its reorganization efforts and hosting workshops to inform and educate IPR stakeholders - lawyers, special prosecutors, circuit judges, entrepreneurs, etc. – about the new rules, regulations and procedures in place regarding Intellectual Property Rights.

#### **A.4 Census of Employment Generated by the Manufacturing Export Sector in Bolivia since the Implementation of the ATPDEA and its Future Trends**

We expect to have this report ready by the end of January.

### ***B. Activities to Stimulate Production and Exports***

#### **B.1 Textiles and Apparel**

- Support the Bolivian National Chamber of Industry (Cámara Nacional de Industrias) in the organization of Bolivia's first international fashion fair "Bolivia Moda 2005."
- Provide training for 20 new sewing operators to be employed by Bogama in El Alto.
- Provide training for 15 SMEs in quality control.
- Provide training in assembly production systems to five consultants en Cedemype (the Center of Micro and Small Enterprise) in Tarija.
- Provide training for 45 new sewing operators to be employed by Simon Jeans in Cochabamba.

#### **B.2 Secondary Wood Products**

- Support GINKO in the installation process
- Support COMAS to produce with the required quality within acceptable price ranges
- Help SOEX to subcontract new SMEs
- Consolidate the Schmidt Wood exportation order to the US
- Support New Hemisphere operations in Bolivia through subcontracting
- Support the development of activities of Globex in Bolivia
- Support the production of Maderex in Cochabamba
- Support sample development of Tarija SMEs.
- Extend contracts of consultants pool

#### **B.3 Fine Fibers, Leather and Jewelry**

Finalize BTBC assistance to Asarbolsem in training and quality improvements for 75 women that hand-knit in El Alto and are exporting their products.

Design and produce samples for the winter 2005/06 FOTRAMA collection.

Coordinate a program for the industrial production and dehairing of llama fiber with the intervention of the Ministry of Agriculture, Prodem and ONUDI.

Provide assistance to Curtiembre Vis Kuljis, a leather tannery, to seek buyers for leather-based dog treats.

Provide assistance to COPROCA (yarn spinning mill) to improve the quality of the dyeing process.

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**E      Bosnia Fostering an Investment and Lender-Friendly Environment (FILE), TO#821**

*Start Date: July 29, 2003*

*End Date: September 30, 2006*

*Amount of Delivery Order: \$9,964,761.00*

Quarterly Progress Report:

**1. Background**

Chemonics International, Inc. and its subcontractors, Deloitte Touche Tohmatsu Emerging Markets Group, Ltd. and the National Center for State Courts (NCSC), were selected to implement USAID's Fostering an Investment and Lender-Friendly Environment (FILE) commercial law project. The project, which will run approximately three years, covers a variety of commercial law issues, including bankruptcy and collateral law, court administration, and World Trade Organization (WTO) accession. Project activities are described more fully in the related Task Order (TO) and in FILE's previously submitted workplans.

The lack of investments and long-term lending is impeding the growth of the private sector in Bosnia and Herzegovina (BiH). It also impedes the country's recovery from the war and transition from a command to a market economy. FILE is designed to assist its BiH counterparts in four key areas. First, to make the collateral law regime work through professional education and training of relevant parties (i.e., judges, lawyers, trustees, appraisers, notaries, bankers, law students, etc.). Second, to make the bankruptcy and liquidation laws and procedures work through professional education and training of relevant parties (including judges, trustees, lawyers and appraisers), and by shepherding a number of pilot bankruptcy cases through the judicial process. Third, to assist BiH in its accession to the WTO by providing procedural assistance and developing a workplan of remaining tasks in the accession process. Fourth, to streamline the ability of BiH courts to adjudicate commercial cases in a timely, predictable, and efficient manner by installing new computer hardware and software, training court personnel, and improving the legal and regulatory framework for efficiently handling small commercial claims.

Each of the following sections corresponds to a TO component. Within each section, FILE describes the specific activities undertaken and accomplished during the reporting period.

## ***2. Component One: Collateral Law***

*Training Activities.* During December, FILE's collateral law team and Bosnia and Herzegovina's (BiH) two Judicial Training Centers (each a "JTC") co-sponsored three two-day training sessions for enforcement judges and other interested judges. Two sessions, held on December 2<sup>nd</sup> and 3<sup>rd</sup> and December 16<sup>th</sup> and 17<sup>th</sup>, respectively, were held in Sarajevo in conjunction with the Federation JTC. The third session was held in Banja Luka on December 23<sup>rd</sup> and 24<sup>th</sup>, in cooperation with the RS JTC. The first two sessions were attended by approximately thirty judges each, and the third session was attended by approximately twenty judges.

At each session, FILE's Collateral Law team presented participants with practical solutions for implementing the law on enforcement and provided participants with copies of its Judge's Benchbook. FILE's Court Administration team also discussed potential improvements to workflow of enforcement cases. In addition, FILE arranged for representatives from GTZ and USAID's Pledge Registry Project (PRP) to provide instruction relating to the land and pledge registries.

In early 2004, the Council of Europe (COE) engaged experts to draft detailed commentaries on the Law on Enforcement Procedure. It was anticipated that the commentaries would be completed in Fall 2004. Based on such understanding, FILE's Collateral Law team scheduled certain activities and deliverables for winter 2004. Specifically, the workplan for the six-month period ended December 31, 2004 (the "Workplan") contemplated that the team would (i) update and submit its training module on the enforcement law and (ii) provide classroom and hands-on training for judges and counsel on the enforcement law upon completion of the COE commentaries. As of the writing of this report, the commentaries have not been released, though FILE has been advised that they will be completed in the first quarter of 2005.

FILE proceeded with updating the training module and, as indicated above, training key stakeholder groups despite the COE's delay in completing the commentaries.

*Development of Resource Materials.* In prior reporting periods, FILE drafted several collateral law resource materials, including a handbook for in-house counsel, a creditors' manual, an enforcement officers' handbook, and a judge's benchbook on the enforcement law.

In October, the collateral law team completed vetting the judge's benchbook with local partners and readied the final product for distribution. The vetted version was submitted to USAID on October 22<sup>nd</sup>, and as indicated above, the Judge's Benchbook was distributed to approximately eighty participants at the three collateral law training sessions held in December.

In November, FILE completed the vetting process for its enforcement officers' handbook and submitted the revised, final version to USAID on November 17<sup>th</sup>. The handbooks will be distributed to enforcement officers at training sessions scheduled for early 2005. FILE will continue to discuss the handbook's content with enforcement judges and officers and will periodically update and refine the document to reflect recent

developments, topics and practices.

The Workplan also required that FILE prepare and submit an informational training pamphlet for judges on the Pledge Registry Law. The draft pamphlet was submitted as an exhibit to the Year-End Report.

FILE understands that PRP is currently scheduled to close in January 2005, but that its term may be extended. FILE further understands that PRP will likely undertake significant training activities during any extension period. Accordingly, FILE will not distribute the pamphlet independently, but will coordinate distribution, if any, with PRP.

*Partnership with Banks.* During this quarter, FILE continued efforts to collect updated data from banks and courts to determine how many collateralized loans are in enforcement action, the status of their processing, and if and where processing is “bottlenecking.” The data will be used to help design future training sessions and to select a limited number of cases to track through the system for compliance/training purposes.

*Website.* FILE’s Task Order for both its collateral law and bankruptcy law components requires FILE to identify or create a website where matters relating to FILE’s training and resource materials can be posted. As noted in prior reports, FILE has undertaken various efforts to meet this requirement, including assessing potential “partnering” opportunities with existing and/or proposed websites, as well as assessing the development of its own website (the content of which could be subsequently transferred to an appropriate indigenous institution or association).

In October, FILE and USAID agreed that FILE should continue negotiations with UNDP and the JTCs regarding partnering opportunities, with final arrangements for partnering to be reduced to writing in the form of a Memorandum of Understanding.

In November, FILE met with UNDP and JTC representatives to further discuss partnering opportunities. UNDP subsequently forwarded a Memorandum of Understanding to FILE for translation, review and comment. The document was recently translated and is currently under review.

*Workplan development.* On December 6<sup>th</sup>, FILE submitted to USAID its draft workplan for the six-month period ending June 30, 2005, as well as its related Project Monitoring Plan.

On November 26, 2004, FILE and USAID met to discuss staffing, coordination, deliverables and other project implementation matters. A significant part of the discussion focused on identifying linkages between FILE’s tasks and activities of other donors and implementing partners. FILE was asked to evaluate where the resulting relationships created “dependencies” (versus requiring active coordination), and to consider what Task Order modifications may be required to eliminate or reduce such dependencies.

On December 1<sup>st</sup>, FILE submitted its analysis of Task Order linkages and the issues



created thereby, as well as proposed solutions to reduce or eliminate dependencies on other donors and implementing partners. The analysis and proposed solutions were intended as the initial foray into a continuing dialogue with USAID on related matters.

### ***3. Component Two: Bankruptcy Law***

*Training for Bankruptcy Judges.* FILE and BiH's Judicial Training Centers co-sponsored and conducted a two-day training session for BiH bankruptcy judges on November 25<sup>th</sup> and 26<sup>th</sup>. The seminar, held in Banja Luka, was attended by eighteen bankruptcy judges. Topics of discussion included preliminary procedures and the rights creditors with "rights of separate settlement." In addition to FILE staff, lecturers included Croatian judges with significant experience in bankruptcy matters.

*Training for Trustees.* Most cases pending under the new bankruptcy laws are in the preliminary stages of the proceeding. Accordingly, FILE set out to train Federation and RS trustees on the trustee's role and responsibilities in the preliminary stages of a bankruptcy proceeding, as well as on related practical implementation issues. FILE pursued this task by designing and implementing throughout BiH five training sessions focused on preliminary proceedings.

The first three sessions were held on October 14<sup>th</sup>, November 11<sup>th</sup> and 19<sup>th</sup>, respectively. The final two sessions took place in Tuzla on December 3<sup>rd</sup> and Dobož on December 10<sup>th</sup>. The sessions were attended by twenty-three bankruptcy trustees from the Tuzla region and twenty-five from the Dobož region, respectively. Topics presented included: an overview of the bankruptcy law, its objectives and benefits, and its operative institutions; the preliminary phase of a bankruptcy proceeding, by steps; and the interim trustee's role and responsibilities in a preliminary proceeding.

With training on the preliminary phase complete, FILE moved on to the next phase of training – five sessions focused on issues relating to the investigation and reporting hearings. On December 17<sup>th</sup>, FILE held a training session for twelve bankruptcy trustees from Sarajevo, Bihac, Tesanj, Bugojno, Maglaj and Travnik. Topics presented included the legal consequences of opening a bankruptcy case; the role and responsibilities of a trustee leading to and including the investigation and reporting hearings; and techniques used for asset appraisals.

*Appraiser Training.* The bankruptcy team also focused on developing a competent core of appraisers, able to handle critical valuation issues in bankruptcy and enforcement cases. On December 10<sup>th</sup> and 11<sup>th</sup>, FILE's Bankruptcy and Collateral Law teams organized the first in a series of training sessions for appraisers and court witnesses in BiH. The training session, held in Banja Luka, was attended by twenty-five appraisers and court witnesses from Banja Luka, Sanski Most, Jajce, Dobož and Bihac. This two-day training session covered topics such as the methodology and theory of appraisals under cost and market value approaches. It also addressed practical issues and best practices through case studies and exchanges of professional experiences by the participants. A repeat session was held in Sarajevo on December 13<sup>th</sup> and 14<sup>th</sup> for sixteen attendees from Sarajevo and the surrounding region.

*Resource Materials.* During this quarter, the bankruptcy team continued working toward the completion of the following bankruptcy reference materials:

- A benchbook for bankruptcy judges. On December 13<sup>th</sup>, FILE's Bankruptcy Law team held a vetting session with BiH bankruptcy judges relating to its Judge's Benchbook. The Benchbook is one of the numerous resource materials that FILE has developed for BiH bankruptcy practitioners, and will assist judges in their efforts to implement BiH's bankruptcy law regime more efficiently. Through this vetting session, judges had the opportunity to present their comments and ideas to be included in the final version of the Judges Benchbook.

The first edition of the vetted benchbook was submitted to USAID on December 15<sup>th</sup>. It included a chronological description and explanation of the different steps in a bankruptcy procedure that require the judge to issue a decision/order, as well as a series of form decisions/orders that a judge can utilize to standardize and streamline court practice. The first edition will be reviewed and upgraded on a periodic basis with additional comments and forms relating to reorganization, realization of the bankruptcy estate and cash distribution to creditors.

- A Manual for Bankruptcy Trustees. The vetting process was completed on November 22<sup>nd</sup>, with a final roundtable review held in Travnik with ten bankruptcy trustees. A "Final Draft Trustees Manual" was delivered to USAID on November 30<sup>th</sup>, in accordance with the workplan.

*Pilot Bankruptcy Cases.* In the previous quarter, FILE selected two companies to serve as pilot cases for demonstrating the efficiency of BiH's new bankruptcy system. During this quarter, FILE's bankruptcy team continued shepherding the two pilot cases on its docket - Unis Tativ, a state-owned machine tool and fastener manufacturing concern located in Konjic, and Livnica, a state-owned metal foundry located in Sarajevo.

The hearing to officially open Unis Tativ's bankruptcy proceedings took place on November 4<sup>th</sup>. On November 8<sup>th</sup>, the judge issued her decision to open proceedings, relying heavily on the trustee's report that FILE's bankruptcy team played a prominent role in drafting. The report detailed that: (i) proceedings should be opened because the debtor was technically insolvent; (ii) the debtor's operations could continue in bankruptcy; and (iii) the bankruptcy estate was sufficient to cover bankruptcy costs.

On November 16<sup>th</sup> and 17<sup>th</sup>, FILE assisted the trustee and Tativ's main customer and supplier in structuring supply, production and purchase arrangements that would allow the company to continue operating in bankruptcy and improve its prospects for reorganization. Negotiations resulted in the execution of a 5,000,000 EUR contract that will allow the company to gradually increase production above pre-bankruptcy levels, while also increasing its profit margin. Further negotiations with other interested parties resulted in an agreement to provide a 200,000KM customs guarantee required to import the necessary raw materials.

The hearing to officially open Livnica's bankruptcy proceedings has not yet been scheduled. The presiding judge recently returned from vacation, and is expected to schedule the hearing shortly. During November, the bankruptcy team assisted the preliminary bankruptcy trustee and the judge in preparing for all issues that may arise in preliminary proceedings. The team further assisted the trustee in drafting his report, providing him the Tadv report as a model and commenting on early drafts. The trustee submitted his report to the court on November 29<sup>th</sup>. In subsequent conversations, the judge indicated that the report provides sufficient reason for opening bankruptcy proceedings.

*Other Activities during the Quarter:*

- *Website Development.* As indicated above, FILE continues to explore partnership options with the UNDP and the JTC.
- *Workplan development.* As indicated above, on December 6<sup>th</sup>, FILE submitted to USAID its draft workplan for the six-month period ending June 30, 2005, as well as its related Project Monitoring Plan.

**4. Component Three: World Trade Organization Accession**

Due to political developments within BiH, FILE has been instructed by USAID to suspend all WTO accession work.

**5. Component Four: Court Administration**

*Development of Integrated Case Management System Software.* As indicated in the prior quarterly report, in September, FILE fielded three short-term experts - two provided their services on a pro bono basis - to develop (1) a roll-out strategy for the distribution and installation of hardware and software throughout BiH's seventy first and second instance courts, (2) a Request for Information (RFI) intended for potential software developers, and (3) a Request for Proposal (RFP) for procurement of case management software. During October, one of the consultants finalized drafts of the roll-out strategy, RFI and RFP, which were then submitted to and reviewed with USAID.

In November, FILE fielded James McMillan, NCSC's Principle Court Technology Consultant, to complete the RFI process and formulate FILE's final software procurement strategy. Mr. McMillan's tasks included managing the RFI review team, conducting vendor interviews and evaluations, formulating FILE's final software procurement strategy, and communicating the results of the RFI process to USAID, the High Judicial and Prosecutorial Council (HJPC) and other interested parties. FILE's intention was to utilize the RFI interviews to identify qualified vendors and seek information regarding the technical capacities of their companies, as well as the functionality and scope of their software products. It further intended to issue an RFP for software development thereafter.

Mr. McMillan prepared a final report with his recommendations for a course of action to achieve FILE's software development objectives. Mr. McMillan's report indicates that

any decision regarding court case management systems is multi-faceted. The system affects the entire court organization because it changes the procedures that a court is built upon and challenges or changes the knowledge and abilities of court staff. The introduction of an automated case management system is the biggest change that can happen to a court staff and operations. While a great percentage of courts in the world have automated their operations, it is never an easy task.

FILE currently has a restrictive budget to provide case management software - \$400,000 is budgeted for this purpose as of the date of this Quarterly Report. After evaluating vendor presentations and products and the likely cost of acquiring licenses and source code from a third party vendor, it was clear that an RFP process would yield bids that greatly exceeded the project's budgeted resources.

Accordingly, Mr. McMillan compared and contrasted the costs of FILE undertaking the effort to build a case management system in cooperation with the HJPC versus purchasing and adapting an existing system, concluding that the software should be built by HJPC and FILE. USAID and FILE are currently discussing these options for software development.

In addition, FILE, HJPC and ICITAP created a draft Memorandum of Understanding setting forth the respective roles of each group in the court automation process. The parties intend to finalize the document in January 2005.

*Workflow Analyses – Civil/Commercial, Criminal, Enforcement and Bankruptcy.* During the month of October, the court administration team completed flowcharts and court staff interviews relating to its analysis of workflow practices in the courts. On November 5<sup>th</sup>, FILE submitted its report of findings, conclusions, and recommendations relating to workflow process improvements. The report summarizes the team's efforts to identify bottlenecks and inefficiencies in the clerical and judicial processing of work that unnecessarily impede the flow of work. Identifying and addressing such inefficiencies will help prepare the courts for the introduction of case management software.

The report, which has been reviewed with the HJPC and certain other members of the international community, is now being translated for distribution to the courts. It is intended as a first step in a continuing dialogue of an examination of court practices, policies and procedures that will lead to more effective administration of justice in BiH.

Additionally, one of the Court Administration team's tasks for the workplan period was to identify and collect case-related forms currently in use in the Sarajevo, Mostar and Zenica Municipal Courts and the Banja Luka Basic Court, as well as forms recommended by the HJPC in the Draft Book of Rules. This would allow FILE and HJPC to subsequently review the forms to determine which should be "automated" (i.e., which should be computer-generated through case management software) and which should be eliminated.

In close collaboration with the HJPC's IT staff, the Court Administration team identified and collected the relevant forms. More importantly, FILE created a digital picture of each form and pasted/incorporated the picture into its previously developed workflow charts. Thus, the utilization of forms can be tracked during each step of the clerical processing of a case. As clerical processing is streamlined and steps eliminated, the

related forms can be readily streamlined and eliminated as well. The related deliverable was submitted to USAID in accordance with the Workplan.

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**F. Support to Enhance Privatization, Investment and Competitiveness in the Water Sector of the Romanian Economy (SEPIC), TO#822**

*Start Date: August 4, 2003*

*End Date: August 13, 2006*

*Amount of Delivery Order: \$4,,055,796*

**Personnel Summary**

**LOCAL PROFESSIONALS**

- *Chief of Party and Task Leader for ANAR: Liviu Ionescu*
- *Assistant to the Chief of Party: Ionut Dobre*
- *Task Leader for EMS/P2: Andreea Milea*
- *Assistant to the Task Leader for EMS/P2: Ioana Stanescu*
- *Task Leader for WATMAN: Mary-Jeanne Adler*
- *Lawyer: Octavian Moise*
- *Technical Expert: Ana Maria Moldoveanu*
- *Technical Expert: Rodica Stefanescu*
- *IT/ Expert: Florin Lazar*
- *IT Expert: Paul Negritu*
- *Office Manager: Grazia-Felicia Vascencu*

**EXPATRIATE/TCN SPECIALISTS**

- *EMS Senior Technical Advisor: Avrom Bendavid-Val*
- *P2 Senior Technical Advisor: James Gallup*
- *WATMAN Senior Technical Advisor: Glen Anderson*
- *ANAR Senior Technical Advisor: Chris Perine*
- *Environmental Specialist/Engineer: Phil Brown*
- *Environmental Specialist/Engineer: Paul Dax*
- *Environmental Specialist/Engineer: Daene McKinney*
- *Alarm Systems Specialist: Mary Ann Zimmerman*

**HOME OFFICE PROJECT MANAGEMENT**

- *Project Manager: Avrom Bendavid-Val*
- *Deputy Project Manager: Chris Perine*
- *Project Administrator: Kristen Totino*
- *Assistant Project Administrator: Ryan Flory*

## **Component B: EMS & P2**

### **IMPLEMENTATION PROGRESS**

- EMS and P2 programs (EMPs) implementation in all partner enterprises running as scheduled in the work plan
- Continuous monitoring of the EMPs and environmental and economic benefits in all partner enterprises
- P2 Action Groups in place in Pitesti and Braila; five enterprises are included in P2 Action Groups in Pitesti and seven enterprises in Braila
- P2 recommendations and compliance schedules and monitoring programs have been developed for all pilot enterprises
- First EMS & P2 Implementation Seminar conducted; around 35 participants from pilot organizations and environmental authorities in Braila and Pitesti attended; participants presented the status of the EMS & P2 implementation in their organizations, particularly the status of their EMPs and estimations of the associated environmental and economic benefits
- Workshop for industry associations organized by MEWM conducted; 96 participants from more than fifty companies were trained in EMS and P2 basics
- Weekly EMS & P2 work plan through April 2005 was drafted, including new initiatives
- Auditeco finalized supporting RAJAC Cluj-Napoca to extend EMS in the whole facility

### **IMPLEMENTATION PROBLEMS**

NA

### **IMPLEMENTATION NEXT STEPS**

- Continue EMS & P2 program implementation in all pilot enterprises
- Monitor environmental and financial results in all pilot enterprises
- Work with MEWM on possible additional SEPIC assistance to the ministry related to EMS and P2

## **Component C: TAIWAT**

### **IMPLEMENTATION PROGRESS**

- The most important achievement is the completion of the *Feasibility Study Report* – in compliance with the Romanian legislation, to be of use to MEWM, in order to obtain the GOR's guarantee for the possible loan to support WATMAN implementation; the \$136 million WATMAN investment was promoted by the Inter-Ministerial Committee (Oct. 28, 2004)
- Requirements were developed for the *pilot-related equipment acquisition*

- Requirements were also developed for the **DSS models** and the IT software programs that will be developed as applications for pilot activities connected with basin dispatch activity in the Arges River basin;
- **TDYs:** In October, Daene McKinney, Phillip Brown and Glen Anderson worked in Romania to help finalize the feasibility study reports, and provide presentations at the ANAR and MEWM workshops; in November, Phillip Brown delivered the technical assistance and necessary training for the calibration, testing, and installation (including storage, maintenance, service, etc.) of the mobile-lab equipment donated by USAID DA Buzau-Ialomita
- **Burgess&Niple:** their team was in our office for two weeks in October, working jointly with SEPIC experts on the WATMAN feasibility study
- **Sub-Contractors:** next-phase contracts were drafted, negotiated and finalized with all subcontractors; in addition, a new contract for services of automatization engineering for the Rausor dam was processed; all due reports from the local subs were submitted and paid
- **ITs Contracts:** next-phase contracts were also drafted, negotiated, formalized and registered with the two ITs;
- **Workshops and Seminars:** one (consultative) workshop (at ANAR) and two Steering Committee meetings (one at ANAR and one at MWEM) were organized to review and confirm, the contents of the WATMAN feasibility study
- **Study Tour to US:** SEPIC partially supported, and the TAIWAT Task Leader participated in a group study tour to the US from 4-20 December; in addition to the project materials Ms. Adler prepared for the study tour, she also made a presentation on behalf of MWEM, about MWEM and related water projects (SIMIN, DESWAT, WATFRAME), which we put on CDs (20 copies)
- **Equipments purchase:** the local project staff has worked on elaborating the technical specifications of the equipments in view of purchase, for the pilot activities; there also have been conducted market investigations for identifying potential local suppliers for these; for PC equipments there have been made market investigations for identifying potential local suppliers, who can meet the technical specifications needed, can comply with the USAID specific requirements regarding acquisitions, and to collect the support data required by the procurement rules of Chemonics; in addition, search on the Internet has also been conducted for other acquisitions in view: oil absorbents, heavy machinery of RRC; protection equipments;
- **Others:** local project staff has processed lots of info and data, and has elaborated the Narrative Report of the Feasibility Study and the corresponding economic analyze and budget estimates; special efforts have been dedicated to organizational and logistical arrangements for the key meetings and the workshop events of the period (invitations, supplies, translations and interpreter, catering, materials photocopy and binding, presentation slides, agenda, presentation equipments, folders and labels, transportation, etc.); the local project staff has also provided in-puts to the USAID AIR document, and, as per the HO request, has worked (quite extensively), on revising the WP, on a weekly distribution of the expected work – till April (and through July), 2005; the local project staff has also provided in-puts to USAID on possible future development of the project components; Also, following to PB's visit to Buzau, we promised to translate some equipments user guides - which work is now in progress.

## **IMPLEMENTATION PROBLEMS**

- The schedule for completing the WATMAN Feasibility Study was advanced by 2+ months, requiring some changes in the three TDY missions, and in the work of the whole WATMAN team, including necessary supplementary efforts. Consequently, the work on the equipment procurement had to be postponed for the end of November, 2004 – through January, 2005 (next TDY missions).

## **IMPLEMENTATION NEXT STEPS**

- finalize the English version of the Feasibility Study for ExIm Bank;
- conclude the field tests and training with the pollution intervention mobile lab;
- start pilot-related equipment acquisitions;
- install equipment, as it arrives, and initiate preparation of the pilot demo activities;
- develop software applications for DSS and to integrate different American applications (as RES-SIM) under Dispatch Application of ANAR.

### **Component D: ANAR**

## **IMPLEMENTATION PROGRESS**

- ANAR comments and latest findings were incorporated into the final report titled “Toward Setting Water and Wastewater Related Contributions and Penalties in Romania;” the report will be submitted to USAID, ANAR, and MEWM early in the next quarter
- Training of ANAR officials was provided for using the financial model dealing with the development of water tariffs and pollution charges supplied with the report “Toward Setting Water and Wastewater Related Contributions and Penalties In Romania”
- Hired specialist for externalization tasks; SEPIC Project Manager, ANAR STA, externalization expert and SEPIC/ANAR FO staff traveled to the field to assess externalization opportunities, following up on specific requests formulated by ANAR top management; as a result of this trip, three reports were drafted and submitted regarding the following externalization projects:
  - Report on externalizing the maintenance function for Arges-Vedea Directorate;
  - Proposal to support externalization of the water treatment activity for Buzau-Ialomita water Directorate;
  - Proposal to support preparation of an externalization strategy for ANAR Bucharest

## **IMPLEMENTATION PROBLEMS**

- The Law changing the status of ANAR according to the New Water Law was not adopted as scheduled, in November 2004 and will have to be submitted for



adoption to the newly formed Parliament. This Law is important for our activity as it includes important guidelines on externalization;

- The top management of MEWM and ANAR will change following elections; we are closely consulting with USAID and will consult with newly appointed top management of MEWM and ANAR in order to quickly respond to any changes in the work plan, to suit priorities of USAID and the new Romanian Government.

## **IMPLEMENTATION NEXT STEPS**

- Proceed with the externalization and public consultation activities:
  - Continue exploring externalization opportunities in Buzau
  - Obtain USAID concurrence regarding any additional specific externalization activities (recognizing the potential for adjustment in priorities based on the change in government)
  - Begin implementing any additional agreed-upon externalization activities
  - Begin developing public consultation activities
- Adapt the work plan as needed according to USAID and GOR priorities

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### **G. Kosovo Energjetike e Kosoves (KEK) Institutional Strengthening, TO#823**

***Start Date: August 1, 2003***

***End Date: November 30, 2004***

***Amount of Delivery Order: \$1,160,376***

**ACTIVITY PURPOSE:** To support the ongoing implementation and full utilization of the Customer Care Package (CCP) and Joint Billing (JBI) Initiative.

### ***Background***

On August 1, 2003, under the Umbrella GBTI IQC Contract, USAID awarded a task order contract to Chemonics for the *Institutional Strengthening of the Kosovo Electric Corporation (IS-KEK)* project. This program, which builds on prior USAID work under the Community Infrastructure Support Program (CISP), is working to improve the ability of Kosovo Electric Corporation (KEK) to assess and collect revenue to finance services and operations.

The period of performance for this task order is August 1, 2003 – April, 2005.

### ***Quarterly Overview***

This quarter marked a critical phase in the sustainability and handover of the Kosovo IS-KEK program. At the beginning of the quarter, the program demobilized the

expatriate chief of party and moved from an independent project office into offices provided by KEK. After some months of hesitancy, senior management of KEK has embraced the reforms advocated by the IS-KEK program, and expressed a desire to deepen the adoption the Customer Care Package (CCP) developed to all KEK sub-districts.

The IS-KEK program helped KEK develop a plan for procuring software and hardware, and providing training to expand the CCP, which is likely to be funded by the European Agency for Reconstruction. In the meantime, the IS-KEK team of local professionals has moved inside KEK's offices to provide in-depth mentoring and deepen the understanding of senior management in the use of the CCP. As the end of the program approaches, KEK management is examining approaches to hire the IS-KEK staff on a permanent basis, or retain them to carry out training for staff in the sub-districts.

Meanwhile, IS-KEK has worked closely with KEK's new management team to adapt the CCP to newly adopted policies to streamline collections, and helped KEK negotiate and to sign a long-term software maintenance agreement for the package.

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## **I. Columbia Forestry, TO#824**

***Start Date: August 11, 2003***

***End Date: August 10, 2006***

***Amount of Delivery Order: \$22,700,000.00***

### **I. Background**

In August, 2003, USAID awarded the three-year \$22.7 million Colombia Forestry Development Program (CFDP) to Chemonics International. The program will expand the production of marketable and profitable forest products that will increase incomes throughout the forestry sector and provide alternative sources of income to the rural communities where forestry activities are centered. An increase in profitable activities in the forest sector will serve to draw people away from illicit activities.

CFDP will assist in developing a viable commercial forestry sector and in catalyzing development efforts in four rural forestry clusters that offer reasonable access to markets, forest sector support services and production chains. Assistance will focus on connecting sustainable production chains to domestic and international markets. Local assistance will be provided by the *Corporación Nacional de Investigación y Fomento Forestal* (CONIF) and the World Wildlife Fund, among others.

The CFDP clusters will be centered in Bajo Magdalena, Bajo Atrato-Urabá, the Pacific Coast of Nariño and Guapi and Northeastern Antioquia. The regions were selected because they contain considerable forest resources, suffer from increasing cultivation of illicit crops and have a defined market for forest products.

Program activities will focus on four components:

1. Forest Policy: CFDP will improve knowledge about constraints imposed on the commercial forestry sector because of inadequate and inappropriate policies and will work to correct those policies.
2. Plan Colombia: CFDP will assist Plan Colombia in making its *Familias Guardabosques* program more sustainable and effective.
3. Improved Forest Product Production Chain: CFDP will provide assistance to all segments of the forestry production chain to improve conversion efficiency and utilization of raw materials. The assistance will involve improved management of plantation and natural forests, including the establishment of industrial plantations in the four clusters; identification of transportation constraints and development of methods to overcome those constraints; improved conversion of raw materials to market products; and enhanced partnering among all links in the production chain. CFDP will capitalize on market conditions and opportunities in the forestry sector including international markets and standards, domestic markets and standards, and non-traditional markets such as “certified wood” and CO<sub>2</sub> sequestration credits.
4. Commercial Forestry Development Fund: CFDP will also provide additional assistance to support viable and responsible commercial forestry incentives outside the four clusters.

Significant program results include establishing 15,000 hectares of industrial plantations and agro-forestry, establishing 3 wood processing centers, creating 500 new jobs and benefiting 3,000 families.

## II. Executive Summary

During the final quarter of 2004, CFDP accomplished the following:

- CFDP launched the Co-Investment Fund and received Expressions of Interest from 90 proponents.
- CFDP convened a *Junta Asesora* composed of private and public sector representatives to recommend Co-Investment Fund proposals for funding.
- CFDP selected two companies, Econometria and Araujo y Ibarra, to implement key activities in support of the Co-Investment Fund, forestry activities and policy issues.
- CFDP awarded a grant to *Reforestadora San Sebastian* (RESS) to consolidate its genetic research on eucalyptus.
- CFDP fielded technical consultants to integrate CFDP forestry activities into three *Familias Guardabosques* nuclei.
- Forest inventories were completed in Bajo Mira y Frontera in Nariño and *Organización Indígena de Antioquia* (OIA) areas in Urabá. Bajo Mira y Frontera has submitted a forest management plan for review.
- CFDP built significant consensus on the new forestry law among the public and private sectors. The trip of the Congress’ *Comisión Quinta* to Bolivia and Chile was pivotal in reopening the law for further modifications.
- USAID approved a budget modification authorizing a reallocation from grants to contracts and other areas.

- CFDP submitted a work plan for 2005-2006.

**CFDP Key Indicators Generated to Date**

	<b>Cumulative</b>	<b>Quarter 4 CY 2004</b>
<b>Families Benefited</b>	1,400	1,400
<b>Hectares of Natural Forest</b>	9,705	9,705
<b>Jobs Created</b>	71	71
<b>Workdays Created</b>	4,696	3,620
<b>Institutions Strengthened</b>	3	3

**Next Quarter.** During the next quarter, CFDP will accomplish several key activities.

- Develop business plans for promising Co-Investment Fund proponents.
- Begin planting *Familias Guardabosques* demonstration parcels.
- Finish natural forest management plans in Nariño and Urabá.
- Submit a revised work plan.
- Assist the GOC to modify and improve the senate-approved forestry law.

### III. Improved Forest Policy

#### A. Forestry Law

CFDP carried out significant policy activities from October to December. In early October, CFDP transported decision-makers to forestry site tours in Valle del Cauca (to visit forest plantation schemes) and Putumayo (to visit natural forest management activities) to raise their knowledge about the Colombian sector's needs and potential.



CFDP's Walk in the Woods in Putumayo

In response to the GOC interest in pushing through a revised forestry law in 2005, CFDP organized a study tour to Bolivia and Chile for 15 members of the *Comisión Quinta* to acquaint them with other international forestry experiences and legal frameworks. The trip was highly successful and resulted in the

forestry law becoming a priority in the Colombian legislature and fomented critical debate on its content.

In addition, CFDP sponsored several international consultants who analyzed drafts of the forestry law and held conferences and round tables with public and private stakeholders to build consensus on needed changes. These consultants were supported by policy reports generated by CFDP local sub-contractors and legislative experts from Araujo y Ibarra (A&IA), a CFDP IQC sub-contractor. Based on these efforts, CFDP hopes that a revised forestry law will be passed by the end of April 2005 and is planning its policy activities accordingly.

#### B. Forestry Finance

CFDP sub-contractors also completed an important report on existing and needed financial incentives for the sector and presented it to key stakeholders such as Finagro. The report concluded that Colombia possesses the needed financial instruments to generate substantial investments in the sector, but it lacks a track record for such investments. To that end, CFDP will promote the securitization of forest activities in NE Antioquia, an effort that will be funded through the Co-Investment Fund.

#### C. Consejo Consultivo

CFDP held its quarterly meeting with the *Consejo* on November 17. Presentations focused primarily on natural forest management by communities.

#### IV. Support to Plan Colombia

##### *Familias Guardabosques Projected Indicators<sup>1</sup>*

Areas	Hectares of Natural Forest	Hectares of Agro-forestry	Families Benefited	Jobs Created
Urabá	2,000	2,140	3,200	976
Santa Marta	1,000	670	800	444
Sur de Bolívar	-	1,120	2,700	634
<b>Total</b>	<b>3,000</b>	<b>3,930</b>	<b>6,700</b>	<b>2,054</b>

During the quarter, CFDP hired five technical consultants needed to catalyze forestry activities in the FGB target areas. The consultants were dispatched to their respective zones, integrated into the three *Familias Guardabosques* nuclei and began developing forestry projects for CFDP approval.

In Urabá, technical consultants conducted a regional tour of Bajo Cauca with 28 FGB beneficiaries to acquaint them with agro-forestry technologies relating to cocoa and rubber, in conjunction with plantains and wood-producing trees such as *roble*, *cedro*, *teca* (teak) and *nogal*. CFDP plans to establish 40 hectares of demonstration plots and plant nurseries during the next quarter. These plots will be used to train beneficiaries on the technological package for each crop and the nurseries will serve as a source of initial income for the community enterprise. A proposal containing large-scale implementation activities is currently being evaluated under the Co-Investment Fund. In addition, CFDP has begun initial explorations of natural forests in the area to place under sustainable management plans.

In Santa Marta, technical consultants have proposed demonstration plots for cocoa and organic coffee totaling 20 hectares. Planting is scheduled to begin next quarter. FGB has also proposed a large-scale agro-forestry plan that is currently being evaluated by the Co-Investment Fund. CFDP is also evaluating a joint proposal with the UNODC to invest in 150 hectares of organic cocoa and coffee. In addition, CFDP will begin exploring natural forest management areas during the next quarter.

In Sur de Bolívar, technical consultants have begun identifying interested families and are formulating the final proposal for demonstration plots. Planting is scheduled to begin late in the next quarter. Sur de Bolívar has also proposed an agro-forestry project to the Co-Investment Fund.

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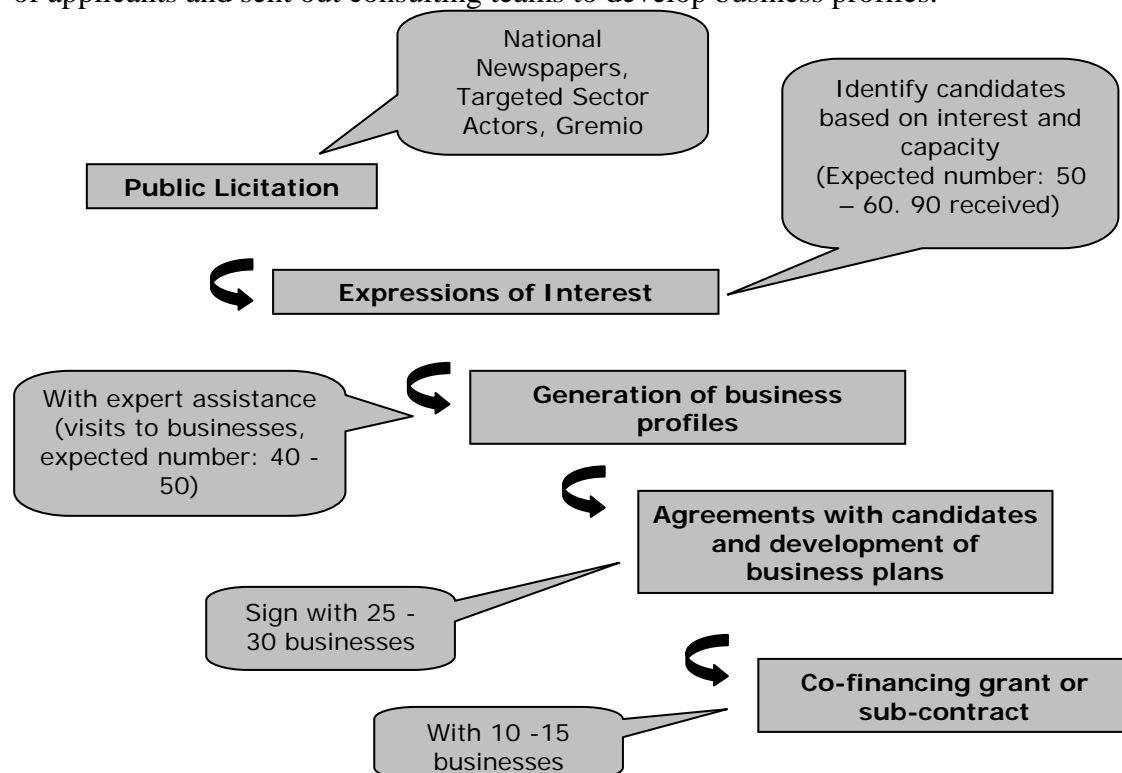
<sup>1</sup> Figures include indicators from projects proposed to the Co-Investment Fund.

## V. Improving Forest Products Production Chains

### A. Co-Investment Fund

During the past quarter, CFDP set up the Co-Investment Fund to channel its grant and sub-contract funds under this component. Forestry actors can gain access to these co-investment funds by successfully completing a four-step process: 1) expressions of interest, 2) developing business profiles, 3) signing agreements and developing business plans, including financial and feasibility studies, and 4) signing co-investment grants or sub-contracts.

On October 31, 2004, CFDP published a Request for Expressions of Interest (EI) in regional and national newspapers. EIs contain basic information about the company, the size of the activities, geographical information, and the proposed co-investment project. As of December 31, the closing date for all EIs, CFDP had received 90, far surpassing the expected 50-60.2 In early December CFDP prioritized the first round of applicants and sent out consulting teams to develop business profiles.



Business profiles will be developed by CFDP sub-contractor Econometría and the profiles will contain an assessment of the company and the proposed opportunity. Once the profiles are received, CFDP's *Junta Asesora*, composed of private sector actors representing the finance and forestry community, will evaluate them and recommend they more forward to the next phase, business plan development.

#### 1. *Junta Asesora*

2 CFDP received 23 for Northeastern Antioquia, 26 for Bajo Atrato/Urabá, 17 for the Pacific Coast, 16 for Bajo Magdalena and 8 for other regions.

CFDP hopes to prove to the private sector that forestry is a profitable, bankable enterprise. The members of the *Junta* are expected to promote investment in forestry as a result of their experience with the sector. The *Junta Asesora* consists of five representatives of the private and public sector and a representative of CFDP: César Pardo – President of Finagro, Gustavo Bernal – President of the *Bolsa Nacional Agropecuario*, Victor Giraldo – President of Smurfit, Gonzalo Toro – Vice President of Business Banking for Bancolombia, Luis Alfonso Jaramillo – Incuagro and Vincent Ruddy – CFDP COP. The *Junta* will recommend business profiles and plans to CFDP/USAID for funding.

## 2. IQC Mechanism

On October 4, CFDP held a bidders conference for interested proponents in Bogotá. Proposals were received on October 15 and CFDP selected two companies to support three key programmatic areas. The review committee selected Econometria for the business and finance area and Araujo y Ibarra Asociados (A&IA) for the forestry and policy/institutional strengthening areas. During the quarter, Econometría has provided valuable assistance to the co-investment fund, while AyIA has provided key assistance to the policy component and forestry trade association Fedemaderas.

## B. Support to Natural Forest Management

### 1. Community Business Training Program

Given the lack of Colombian experience in managing community forestry enterprises, CFDP supported the development of a training program geared toward preparing Afro-Colombian, indigenous and *campesino* communities to manage community enterprises. The program has been vetted with CFDP managers and forest communities and will be implemented during the next quarter.

### 2. Forestry Management Forum

On November 8 and 9, CFDP held a forestry management forum for communities involved in the program's two natural forest regions. The forum provided a space for communities to discuss the conditions of their forests and their relationship to them. Sixty community representatives, CFDP managers, CAR representatives and industrial leaders attended. The forum participants concurred on the following points: 1) communities are conscious that their management practices are seriously lacking; 2) the forest industry is obsolete and informal; 3) communities recognize the need for community enterprises but have reservations given the low level of community organization, presence of illicit crops in their areas, lack of state



Participants in CFDP's Forestry Management Forum



presence and presence of illegal groups; and 4) communities are interested in pursuing productive linkages with private businesses.

### C. Bajo Atrato – Urabá

**Regional Projected Indicators for Current Projects**

<b>Project</b>	<b>Families</b>	<b>Hectares of Natural Forest</b>
OIA	650	65,000
Corpourabá	1,100	80,000

#### 1. Organización Indígena de Antioquia (OIA)

During the quarter, OIA completed its statistical inventory and submitted the technical portion of its management plan to CFDP for review. OIA has committed to submitting its Forestry Management Plan to Corpourabá by April 2005 and to developing practical models of harvesting that would allow them to begin implementing their Annual Harvest Plan immediately upon Management Plan approval. OIA has committed to selling their wood to PRODES, a regional consortia of wood processors.

#### 2. Corpourabá

During the quarter, Corpourabá conducted community trainings on species identification and began exploratory inventories. Unfortunately, the exploratory inventories were halted in November after local armed groups demanded additional community socialization. This socialization was provided in November and December and work is expected to resume early in the next quarter.

#### 3. Co-Investment Projects

By December 31, CFDP had received 26 EIs for the region.

### D. Pacific Coast of Nariño and Guapi

**Regional Projected Indicators for Current Projects**

<b>Project</b>	<b>Families</b>	<b>Hectares of Natural Forest</b>
Bajo Mira y Frontera	1,400	9,705
Satinga/Sanquianga (canceled)	-	-
Guapi - Semillas de Agua	450	63,000

## **1. Bajo Mira y Frontera**

During the quarter, CONIF completed the statistical inventory and a draft of the management plan. The plan will be finalized and submitted to Corponariño for approval next quarter.

## **2. Satinga and Sanquianga**

CONIF's zoning exercises revealed that forest resources in the area are very fragmented, over-harvested and difficult to extract given the lack of infrastructure. In addition, the communities are poorly organized and the area has a significant presence of illegal groups. Currently the technical team is exploring new options in the area, including agro-forestry.

## **3. Guapi – *Semillas de Agua***

The technical team completed the informative inventory during the last quarter and will focus on the statistical inventory during the next quarter. The informative inventory showed good forest volumes.

## **4. Co-Investment Projects**

By December 31, CFDP had received 17 EIs for the region.

## **E. Bajo Magdalena**

### **1. Reforestadora San Sebastian (RESS) - Genetics**

On October 8, CFDP signed a fixed-obligation grant with RESS to consolidate and analyze the genetic information they have on their eucalyptus clones. This information will then be published on a website for public consultation. CFDP hopes to use RESS's clones in its reforestation efforts under the Co-Investment Fund. During this quarter, RESS consolidated its internal records and plans to begin analyzing the data shortly.

### **2. Co-Investment Projects**

By December 31, CFDP had received 16 EIs for the Bajo Magdalena region.

## **F. Northeastern Antioquia**

### **1. Regional Feasibility Studies**

CFDP consultants finished a final study on pine volumes, ages and quality for the entire region. They concluded, given the quality of pine available and the products that could be made with it, that the area will support a 120 tons per year sawmill. CFDP presented the study and its findings to regional stakeholders from the public and private sector.



## 2. Co-Investment Projects

By December 31, CFDP had received 23 EIs for Northeastern Antioquia. Among those was a proposal for a regional sawmill based on the CFDP regional feasibility study. This proposal is of interest to Incuagro. They have offered to co-invest approximately \$4 million in the project if CFDP can meet a February 28 project presentation deadline. Consequently, CFDP is accelerating this project through the selection process, assuming that it meets the requirements, in order to accommodate the deadline. CFDP also advanced information concerning possible DCA support of several projects in the region to USAID. CFDP will further develop these and other projects during the next quarter.



Extraction methods in NE Antioquia.

## VI. Commercial Forestry Development Fund

### A. CAR Institutional Strengthening

On October 14 and 15, CFDP held a workshop on strengthening forest regulation with five regional CARs, ASOCAR and the Ministry of Environment. The workshop introduced the concept of implementing pilot projects in five CARs in CFDP's assigned geographical areas as a way of tangibly improving the forestry regime. At the workshop, CFDP, in conjunction with the Ministry of Environment, reached a consensus with the CARs on mutual areas of interest. From December 13-21, CFDP met with each of the CARs and ASOCAR to review their proposed pilot projects. The following projects were identified:

TOPICS	PROYECTOS PILOTOS POR CORPORACIÓN					
	Corponariño	Corpourabá	CRC	Corantioquia	Corpamag	Asocar
Promote forestry management in communities	<b>X</b>		<b>X</b>		<b>X</b>	
Use of forest regents		<b>X</b>				
Reducing transaction costs			<b>X</b>			
Controlling illegal logging	<b>X</b>	<b>X</b>				
Revising technical norms for sustainable forestry management		<b>X</b>		<b>X</b>		
Implementing a forestry information system						<b>X</b>

Final drafts for the pilot projects are expected to be received in January 2005 and CFDP hopes to begin implementing in March 2005.

## B. Support to Fedemaderas

During the quarter CFDP finalized an institutional assessment that 1) developed both a strategic and business plan for Fedemaderas; 2) identified key, value-added services for members; and 3) identified initial support required to catalyze new activities. Based on this evaluation, Fedemaderas presented a grant application for further assistance to strengthen its capacity and consolidate its position of private sector leadership and service provision for the forestry sector. The grant provides funds to several key areas: 1) increase Fedemaderas' national affiliates to 40% of the forestry community, 2) develop an information system for the sector containing key technical, statistic, economic and social information, 3) develop a services portfolio for its members thus providing reliable income and 4) develop a corporate image and improve public relations with national media. CFDP plans to award this grant during the next quarter

## C. FSC Auditors' Training

On October 3-7, CFDP sponsored an auditors' training for the Forestry Stewardship Council's auditor certification process. FSC auditors certify the sustainable forestry management practices of producers. This certification allows wood producers access to restricted and lucrative markets. Twenty Colombian forestry professionals participated and graduated as auditors.

## VII. Progress Toward SO2 Goals

Due to advances in natural forest management in Bajo Mira y Frontera, this is the first quarter in which CFDP has contractual indicators to report. Given activities in FGB nuclei and other natural forest communities, CFDP expects additional hectares and families to be reported in the next quarter.

**CFDP Indicators Generated to Date**

	<b>Quarterl y</b>	<b>Cumulativ e</b>	<b>Contractual Goals</b>
<b>Families Benefited</b>	1,400	1,400	3,000
<b>Hectares of Agro-forestry and Plantations</b>	-	-	15,000
<b>Hectares of Natural Forest</b>	9,705	9,705	-
<b>Jobs Created</b>	71	713	500
<b>Industrial Parks Created/Productive Infrastructure</b>	-	-	3
<b>Workdays Created</b>	3,620	4,696	-
<b>Institutions Strengthened</b>	3	3	-
<b>Value of Sales</b>	-	-	-

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3 Of this total, 50 are direct jobs created and 21 correspond to jobs created by taking the amount of workdays generated and dividing by 222, a reference given by USAID's M&E Specialist David Cano.

#### Progress on the Natural Forest Management Scale<sup>4</sup>

	Rapid Diagnostic	Signed Agreement with Communities	Forest Inventory Completed	Management Plan Developed	Management Plan Approved by CAR	Harvesting According to Plan
Bajo Mira y Frontera				5,636 HA		
Semillas de Agua			63,000 HA			
Corpourabá			80,000 HA			
OIA				65,000 HA		
<b>Total</b>			<b>143,000</b>	<b>70,636</b>		

The CFDP management scale was designed in conjunction with technical managers. Related indicators, like hectares and families, are counted once a draft forest management plan has been completed.

### VIII. Program Management and Support Activities

#### A. Grants and Contracts

During the quarter, major contracting actions included: 1) selecting sub-contractors *Araujo y Ibarra Asociados* and *Econometría* to provide needed technical assistance in forestry, business plan development and policy and institutional strengthening; 2) signing a fixed-obligation grant with *Reforestadora San Sebastian* on October 8; 3) launching the Co-Investment Fund and 4) contracting consultants for CFDP's *Familias Guardabosques* activities.

CFDP's APS completed its final cycle in October and was not renewed. Of the three proposals received, only one by *Fedemaderas* was recommended for grant development. The other two were referred to the Co-Investment Fund. The *Fedemaderas* grant will be passed to USAID for approval during the next quarter.

#### B. Budget Modification and Work Plan

On December 3, USAID approved a revised budget modification. CFDP sent its 2005-2006 Work Plan to USAID for approval on December 2. Following a review process, USAID provided verbal comments to the CFDP. CFDP will submit a revised plan during the next quarter.

#### C. Monitoring and Evaluation

Based on USAID instructions and changes to indicator definitions, updated indicator sheets were sent to all implementers.

#### D. Communications

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<sup>4</sup> This six step scale was developed to show when natural forests could be considered well-managed. CFDP believes that harvesting according to the management plan is the last step in this process, given the program's timeframe. Green indicates the step has been completed, yellow indicates that it is in process.

During this quarter CFDP published its first quarterly newsletter, *La Corteza*, which was widely distributed to stakeholders and the general public. Website design began and is expected to be launched during the next quarter.

## **E. Personnel**

CFDP welcomed new grants manager Carmenza Becerra on October 11. Giovanni Ramirez, formerly CFDP's accountant, became the assistant grants manager as of November 15. CFDP also hired Andrés Sánchez to fill the second vacant administrative assistant position, he started on October 11. A selection process was held for the position of Office Administrator and the candidate approval for Martha Penagos was passed to USAID in mid-December. Ms. Penagos is expected to begin in early 2005.

CFDP's regional office in Apartadó opened on October 14. Yasmína Castrillón was hired on October 12 as the regional administrative assistant. During the next quarter, CFDP expects to establish a second regional office in the Colombian Southwest to supervise regional natural forestry activities.

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## **I. Paraguay Poverty Reduction, TO#825**

*Start Date: August 15, 2003*

*End Date: August 15, 2006*

*Amount of Delivery Order: \$3,989,507.00*

Under the General Business Trade and Investment Indefinite Quantity Contract (IQC), on August 12, 2003 the Chemonics consortium was awarded a task order to provide technical assistance in support of the Paraguay Poverty Reduction Program (Contract No. PCEI00990001500, Task Order 825). The contract is being implemented by Chemonics International with Crimson Capital Corporation, Universidad Católica Nuestra Señora de la Asunción/Shirosawa Company SAIC Consortium (UC/Shirosawa), Cámara de Comercio Paraguayo-Americana, Enlace/Asecorp Consortium, and Centro de Análisis y Difusión de la Economía Paraguaya (CADEP) as subcontractors. The duration of the task order is about three years, during which time we shall provide business development services to reduce poverty and to expand sales, jobs, and investment in Paraguay.

The Paraguay Vende project works to increase the incomes of the poor in selected economic regions and produce a rapid economic turnaround through job creation and income generation. Paraguayan subcontractors manage three Economic Service Centres (ESCs) located in Ciudad del Este, Coronel Oviedo, and Yby Yaú. These cities lie in strategically selected economic corridors where poverty converges with potential for economic growth. Adopting a demand-driven approach, the ESCs identify individual firms with the highest potential for growth and a willingness to invest, regardless of the sector or product. Providing only non-financial technical assistance, the project helps client firms problem-solve to overcome specific obstacles

to expanding sales and entering new markets. Paraguay Vende helps firms make contact with buyers, meet quality standards, achieve consistent quality and supply, and increase profits by maximizing the value added locally. Moreover, working with client firms, the project will identify policy and regulatory constraints hindering economic growth, and the project's Foro de Politico y Comercio (FPC) will work to remove these constraints and foster a more enabling environment.

The project shall achieve economic growth and poverty reduction goals through a demand driven approach.

**Intermediate Result 1—Business Development Strategies:**

The contractor shall define the economic areas, selecting entities with whom to work and interventions to undertake.

**Intermediate Result 2—Financial Services**

Increased financial services are a means to the end of generating jobs, employment and increased opportunities for the poor. This contract shall not seek to achieve institutional reform or improvements in financial mediation that are not linked directly to enhancing demand and expanding economic activities that contribute to growth and poverty reduction. The contractor, to the extent that access to credit and other financial services are a serious constraint to businesses' and producers' opportunities for growth, will be expected to include these services.

**Intermediate Result 3—Business Environment**

Because policies and regulations may constrain opportunities for increasing sales, investments, exports and business expansion, the contractor shall focus on those areas where the potential significance of the policy or regulatory constraint can be assessed and where it appears feasible to achieve changes, working, as appropriate, with other donors and partners. The contractor shall not only analyze constraints and recommend reforms but also help to educate public sector decision-makers and even help to build constituencies for reform. The contractor shall select and address policy and regulatory issues.

**Results**

Program success will be measured in terms of the program's documented impact on several critical indicators. These results should be directly attributable to the contractor's interventions and assistance to the clients it serves. The program is expected to achieve the following results:

1. Employment: 750,000 days of employment generated
2. Increase in Business volume (sales): \$9,000,000
3. Increased Investment in plant and equipment: \$1,000,000



4. Increased Exports (may be a subset of sales reported in indicator #2 above):  
\$3,000,000

*This report summarizes Paraguay Vende's activities and progress this quarter, describes any problems which have arisen during implementation, outlines solutions to problems and presents a preview of the activities to be undertaken during the next quarter. It also contains a summary of level of effort and expenditures, by quarter and cumulative through the life of the project.*

## A. Summary

This section presents an overview of the project's activities during the past quarter. The information is sorted by continuing technical assistance and new technical assistance projects initiated this quarter. The chart below details the firms that Paraguay Vende is currently assisting.

Nº	Company	Product	Market	Rating
1	Upisa	Pork	Externo	A
2	Xtreme	Wood Mouldings	Externo	A
3	Dalazen	Tractor Cabins	Externo	A
4	Estancias FD	Organic Yerba Mate	Interno	A
5	Bariri LTDA	Plastic products	Externo	A
6	Metalforte	Cabins and pulverizers	Interno	B
7	Guaraní Crop Science	Stevia	Externo	B
8	El Cardúmen	Fish distribution	Interno	B
9	Motopar	Motorcycle dealer	Interno	B
10	Transtrade	Rent in the free trade zone	Interno	C
11	KTC Paraguay	Tropical fruits	Externo	D
12	Braview	Reconditioned computer monitors	Interno	D
13	Cooperativa Yegros	Alcohol	Interno	A
14	Bosques de Asunción	Honey	Externo	A
15	Delfín Ruíz A.	Cottonseed oil	Interno	A
16	Shirosawa Company	Sesame	Externo	A
17	Industria Casera aho poí	Artisanal products	Externo	A
18	Fibrac	Tanques de fibra de vidrio	Interno	A
19	Infosa	Parquet flooring	Externo	A
20	ERSA	Flour/Pet Food	Externo	B
21	ORO VERDE	Yerba Mate	Externo	B
22	Agroplus	Balanceado con Stevia	Interno	B
23	El Agricultor	Yerba Mate	Interno	C
24	Magro Plan	Tea	Interno	C

Nº	Company	Product	Market	Rating
25	SUR-PY S.A	Artisinal goods	Externo	A
26	James A. May	Tea with yerba mate and stevia	Externo	A
27	Semillas Kemagro S.R.L	Premium sesame	Externo	A
28	Confecciones Catedral	Artisinal products	Externo	A
29	Naturit	Tea	Externo	A
30	DTP	Ecotourism travel packages	Externo	A
31	Telnet	Stevia leaves	Externo	A
32	One World Trading	Organic products	Externo	A
33	Scampi	Freshwater shrimp	Interno	A
34	Hierbapar	Aromatic herbs and spices	Interno	B
35	La Lechuza	Tea bottling	Interno	C
36	Fruterra	Fruit exports	Externo	A

### Rating

A= Strategic cases  
B=Normal  
C=Declining  
D=Termination

The chart below shows the preliminary results from the fourth quarter. Please note that these numbers have not yet been finalized by the monitoring and evaluation unit and may change prior to submission of the quarterly report to the CTO's office at USAID/Paraguay.

### Results

Of the thirty six firms associated with Paraguay Vende, fifteen have already demonstrated results. If we include results from the beginning of the project, it is evident that seventeen companies are actually showing results.

Table 3  
**Q1 – FY 2005 Results**  
In Guaranies and Dollars

Nº	COMPANY	Additional Exports USD	Additional Exports Gs.	Additional Sales q1	Additional Sales q1	TOTAL (Sales & Exports)	Additional Employment t q1 in	Investment t q1 USD
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				USD	Gs.	USD	person days	
1	UPISA	654.507	3.971.415.203			654.507	56.976	0
2	DALAZEN			227.160	1.379.786.737	227.160	13.530	0
3	XTREME	133.023	803.310.517			133.023	16.846	0
4	BRAVIEW			75.491	454.933.160	75.491	9.716	0
5	METAL FORTE			70.990	428.282.002	70.990	4.228	0
6	ESTANCIAS FD			68.484	418.342.044	68.484	13.456	0
7	TELNET	29.703	192.522.458			29.703	5.838	0
8	HIERBAPAR			22.070	134.701.058	22.070	3.195	0
9	DTP			18.457	113.216.936	18.457	3.228	0
10	SUR-PY(Pombero)			9.099	56.521.920	9.099	1.322	12.000
11	FRUTERRA	4.547	29.563.632			4.547	894	0
12	FIBRAC			1.796	10.997.442	1.796	263	0
13	MAGRO PLAN			302	1.328.911	302	44	0
14	Cooperativa Yegros					0	0	213.900
15	Bosques Asunción					0	0	13.884
<b>Total</b>		<b>821.779</b>	<b>4.996.811.810</b>	<b>493.848</b>	<b>2.998.110.210</b>	<b>1.315.627</b>	<b>129.535</b>	<b>239.783</b>

#### A1. Continuing Technical Assistance

In the fourth quarter of 2004, the Paraguay Vende project continued to work with 25 companies that they had been providing technical assistance to in the previous quarter. Companies like Dalazen, Xtreme, Braview, and Magroplan have continued to receive assistance and are generating solid results for the project. During this quarter, the project has also discontinued work with 7 firms that are listed in the table below.

#### Companies with “D” rating (terminated status)

Nº	Company	CSE	Product	Status USAID approval	Market	Rating
1	Granja Aida	PJC	Filetes de tilapia	Aprobado	Externo	D
2	Itacuer	PJC	marroquinería	Aprobado	Externo	D
3	Grupo Trinidad S.A	PJC	Café colombiano	Aprobado	Externo	D
4	José Cohelo	PJC	Carbón vegetal	Aprobado	Externo	D
5	Panther	PJC	Cáscara de naranja agria	Aprobado	Externo	D
6	Soja Rica	CO	Soja Rica	Aprobado	Interno	D
7	AKASA	CO	Chimichurri	Aprobado	Interno	D

## **A2. New Technical Assistance During this Quarter.**

The project initiated assistance with 10 new firms in the final quarter of 2004. They include 4 companies in the Eastern Corridor, Bariri LTDA, Guaraní Crop Science, El Cardúmen, and Motopar. In the Central Corridor, Paraguay Vende began working with 2 new firms, Infosa and Agroplus. Finally, in the Northern Corridor, the project added Sur-PY S.A., One World Trading, Scampi, Fruterra. These new companies bring the total number of firms receiving assistance to 36 for the fourth quarter of 2004.

## **A3. Consortium Management**

During this quarter, Chemonics has continued to work closely with its subcontractors. In Paraguay, the management of the ESCs and the FPC continues to proceed smoothly. Under the new ESF funds, our policy subcontractor CADEP has chosen the cross-cutting theme of informality and will be working on this issue in 2005. After difficulty with the establishment of internet connection and communications for the Northern Corridor Office in Yby Yau, the office has been relocated to Pedro Juan Caballero where better internet and communications services could be obtained.

## **B. Technical Activities Planned for Next Quarter**

During the next quarter Paraguay Vende anticipates several activities with client firms. In January, Paraguay Vende anticipates that Ms. Marialyce Mutchler will travel with Mr. Sebastien Ezyaguirre, the owner of Kemagro, to attend the Fancy Foods Show in San Francisco and then travel to Chicago and New York to meet with several potential buyers for Paraguayan sesame seeds. Paraguay Vende is also planning to seek approval for Mr. Bahman Dejbod to work with Naturit, Bosques de Asunción, James A. May, and Estancias FD to introduce their products to potential Middle Eastern markets through a trade show in Dubai. The project is also expecting some potential follow-up from Mr. Steve Caiger on his assignment with teas from Paraguay.

## **C. Problems and Proposed Solutions**

The project has no notable problems to discuss from this quarter.

## **J. Increasing the Development Impact of Economic Growth Paradigms, TO#014**

*Start Date: September 25, 2003*

*End Date: September 30, 2004*

*Amount of Delivery Order: \$383,099.00*

## **Project Summary**

The goal of Task Order 14, Increasing the Development Impact of Economic Growth Paradigms, is to “examine competitiveness” in relationship with other drivers of economic growth such as good governance, the rule of law and political commitment,

in order to increase the impact of these drivers on international donor policies, global competitiveness, and the political economy of developing countries. This effort will drive the redesign of monitoring, coordination and consultative mechanisms in order to improve aid effectiveness at all levels of the US government.

The revolution in development assistance that started with the announcement of the Millennium Challenge Account (MCA) was driven initially by the urgency to address the growing gap between the industrialized and developing worlds that stems from a global economy. This effort will focus on “how to catalyze the institutional development and policy changes that will ultimately promote and sustain private sector development and public-private partnerships.

#### Key Tasks:

Task 1- Country Consultative Process Review: Consultative economic policy bodies can help the government shape economic policy and rules that facilitate investment and economic growth. The process also contributes to democratic, representative rule-making that affects broad national business interests rather than just a few strong economic interests. Perhaps most importantly, such bodies provide momentum that reduces the effects of democratic government change-overs on national policy, as well as other potential sources of instability.

For this task, Chemonics will take a the list of countries which may become likely to be MCA fund recipients during the first several years of the program, do literature research and interviews to identify whether those countries have consultative economic policy bodies, and then extract best practices and lessons learned by these bodies. identify notable policy or rule change as a result of the existence of these bodies, and correlate GDP growth rates. In a comparative analysis, we will also identify those countries that have no such bodies and correlate their GDP growth rates.

The analytical results will be packaged into a concise, easy-to-understand briefing paper limited to 5 pages and a PowerPoint presentation, which will be vetted by the relevant USAID and MCA Working Group staff members.

Once their comments have been addressed, we will present the findings to the MCA Working Group in a one-day workshop. The technical panel, as described below, will be present for this workshop and will be able to engage with the MCA Working Group in a discussion concerning the findings.

Task 2- Economic Growth Review: The second task, which will be started concurrently with Task One, is to review selected ' activities in the area of donors to provide input to the MCA Working Group regarding the level of resources available to support economic growth and competitiveness across those countries that may become MCA fund recipients. The sample of donors would not be universal, but rather would consist of some representative ones, such as DFID, Norway, the Netherlands and Japan in the bilateral category; and the World Bank and Asian Development Bank in the multilateral category. Further information on U.S. agencies

such as OPIC, Export-Import Bank, etc. whose activities may bear directly upon economic growth in developing countries will be provided.

Through literature research and interviews, the team will develop information on disbursements for economic growth versus other types of programs; the assistance model or “business decision,” i.e. how do they work (loans, grants, guarantees, etc.). This information will be presented according to the countries that may become MCA fund recipients to determine how inter-donor coordination might best be promoted.

These findings will be presented to the Working Group along with the findings under Task One. We must vet the results with the relevant USAID and Working Group members. Once vetted, we will present the findings to the Working Group in the first workshop and engage, as desirable, in a discussion of implications of these findings.

**Task Three- Country Risk Assessments:** In a similar manner, we will undertake the analysis of country fiduciary risk assessment methodologies. Several important risk assessment methodologies exist that have been developed by various multilateral and bilateral donors primarily for the purpose of providing them with an assessment of a country’s public financial management system. Investors with country-level information that they can use in their investment-making decisions. We will not be undertaking country risk assessments, but rather using these assessments as a basis for a comparative analysis of the countries that might be MCA fund recipients. If the aggregate of the MCA indicators are providing one set of countries, and independent risk assessments are giving a totally different reading, such a finding should be important to the Working Group. We will compare these assessment methodologies and recommend a protocol appropriate for an MCA-like donor or USAID to use in determining how best to deliver assistance funding.

In the same manner as Task One, we will prepare a briefing paper and a PowerPoint presentation draft to be reviewed by relevant USAID and Working Group staff. Once their observations are incorporated, we will present the information in at the workshop, providing answers to the questions that the presentation raises.

**Task Four- Competitive Analysis/Review, Survey and Outreach:** The World Economic Forum (WEF) initiated efforts to expand its geographic coverage in 2003 based on consultations with top policymakers in Washington, DC. Particular efforts were devoted to the inclusion of Macedonia, Malawi, Mozambique and Serbia; the USAID missions in these countries have indicated their willingness to support such an effort. USAID’s primary interest in this effort is to ensure that these countries continue to collect quality data and that the data are published in the Global Competitiveness Report on an ongoing basis. This is to ensure that these four countries begin to take actions to improve their competitiveness posture, which will also make them more likely recipients of MCA funding.

These four countries are new Global Competitiveness Report (published by WEF) entrants, which historically risk falling out of the Survey in the 2<sup>nd</sup> and 3<sup>rd</sup> years of coverage. In order to sustain these countries’ participation in the annual Executive Opinion Survey and thus establish a process whereby the progress of these countries

can be monitored on a yearly basis through its coverage in the Global Competitiveness Report, we will engage the WEF in the commissioning and training of the local Partner Institute and will collaborate to determine the level of progress in contracting with local WEF partners, the quality of research, etc. We will both manage the subcontract work with WEF and suggest additional indicators that may coincide more closely with the kinds of indicators now suggested for selecting and monitoring progress under the MCA program. WEF will complete a Competitive Analysis/Review report in the fall of next year.

### **Progress this Quarter**

In May 2004, the USAID/Dakar contracted Chemonics to carry out a study on “Fiduciary Risk Analysis of Potential Public-Private Partnerships in Senegal.” The study assessed the entities supporting PPP projects in Senegal, the potential for using public-private partnerships (PPP) mechanisms in Senegal, the legal and regulatory framework, the financial aspects of PPPs, the fiduciary risks for donors, and other factors affecting PPP development.

The study concluded that overall Senegal is a relatively attractive country for PPPs and that a number of opportunities exist for application of the PPP concept. To further advance the use of PPPs where appropriate, Senegal should consider developing a PPP Unit or Project Development Facility to guide PPP development and implementation.

In November 2004, Chemonics’ consultants conducted 4 workshops and presentations with GOS Officials, including the private sector and civil society leaders, and the donor community in Senegal. At these workshops which could be called the equivalent of “PPPs 101”, Chemonics drew on the findings of the Senegal PPP study to facilitate discussions to help the participants understand what legal, organizational, financial, and technical capacities are needed to enable PPPs to effectively provide services and infrastructure and what activities Senegal should undertake to create these capacities. Chemonics also worked with a local consulting firm to build intellectual capacity on PPPs in general and the potential for PPPs in Senegal.

With the comments of MCC and USAID’s, the MCA task force appears to be ready to start thinking about who will be the overseer of the initiative, and how to go about it. Given this and the caliber of the officials the Chemonics met, we suggested a somewhat non-traditional approach to technical assistance. Chemonics recently proposed a response to RFP No. 685-05-P-003, Strengthening Capacity to Implement Public Private Partnerships in Senegal which will be a follow-on activity to this final task performed under the contract.

**K. Assistance for Regional Investment Centers and Investment Promotion in Morocco, TO#826**

*Start Date: October 27,, 2003*

*End Date: December 31, 2005*

*Amount of Delivery Order: \$2,195,463*

**A. Introduction**

This document presents the Year 2004 annual progress report for the USAID/Morocco Assistance for Regional Investment Centers and Investment Promotion Project and covers the period from December 2003 to November 2004. Because the Annual Report provides progress against the Annual Work Plan, it follows the structure of the Work Plan and of Chemonics' task order.

In addition to the description of activities implemented in 2004, the report presents our qualitative assessment of project activities and difficulties encountered in implementation. We also examine each activity's sustainability in light of the project's overall dynamics.

**Project Objectives**

The primary objective of the Assistance for Regional investment Centers and Investment Promotion Project is to assist the Government of Morocco (GOM) in improving economic opportunities for employment and investment. Consequently the program must:

- Work with the Ministry of Interior (including the RICs and the Annexes) to support, strengthen and expand the management procedures in place; to establish broad partnerships for development; and to improve the investment promotion programs of the RICs;
- Work with the Investment Department (DI) and the Ministries involved in investment promotion to improve the DI's internal operations and strengthen its investment promotion information system.

**Project Impact Indicators**

The main program impact indicators are the following:

- Improved quality of the government's institutional services
- Increased use of RIC and DI services

Baseline data for these indicators were collected in 2004 (data for 2003) and targeted objectives set for 2004 and 2005. The Project PMP is presented in an independent report.



## A. Assistance to the Regional Investment Centers

### A.1 Improved organization and functioning of the RICs

#### *Evaluation of the RICs*

Between January 15 and February 17, 2004, Chemonics' team visited 14 of the 16 Regional Investment Centres. They spent a full day with each RIC. In all of the regions but one, the Chemonics team also met with the *Wali*, or regional governor. The objectives of the extensive tour were to see how the RICs were structured and how they operated, which lent a sound sense of their strengths and weaknesses. In addition, this tour served to introduce the project's team to the counterparts, and to provide the RICs with first-hand information on the project's mandate. The reader is referred to the full report produced.<sup>5</sup> In summary, the project team noted that:

- Most RICs seemed to have a good image and high profile in their respective communities, and they seemed to operate in a transparent fashion. They were reasonably well furnished with equipment and worked in close collaboration with the *Walīs* who, without any exceptions, fully supported them;
- They had previously reduced the time for the registration of an enterprise substantially;
- Investment services provided by the RICs exclusively related to access to public land and property for investment in industry, food processing, mining, tourism, and the craft and building sectors;
- The RICs were facilitators rather than initiators. They had no clear mission, no goals, no strategy and no planning process. They had no sense of communication with investors, no promotion activity, and no marketing departments. The staff involved with providing services to investors were young, inexperienced, limited to French and Arabic for communication, and had no salaries because their status was unclear.
- In spite of the fact that information generally is their stock in trade, the RICs possessed none of the databases IPAs and Economic Development Agencies typically have (i.e., Industrial Services, Available Buildings and Sites, Labor and Skill Availability, etc.).

In the end, the project team concluded that although the USAID project does not address most of the weaknesses noted during the tour, it does address a few, and could have a very positive demonstration effect and influence on the way the RICs evolve.

#### *Analysis and evaluation of the single form*

The single form has been tested over a period of two years and the RICs have

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<sup>5</sup> Visite des Centres Régionaux d'Investissement, March 2, 2004.

recommended to the Direction de la Coordination des Affaires Economiques (DCAE) at the Ministry of Interior that it be simplified. The project held various work sessions with its consultants, Maria Bahnini and Jean-Michel Mas. In accordance with the Ministry of Justice's proposed reform of the Registry of Commerce, the single form is now becoming 9 single forms, one form for each of the different types of company that can be created in Morocco. Each form is "single" in the sense that it collects all the information required by the four (4) different administrations involved in business creation. Clients now only need to complete one form instead of four. The proposed modifications and details of information requested on each form have been sent to the RICs for their review. Subsequently, we will ask a professional graphic artist to do the layout of the forms that will be submitted to the Minister of Interior for drafting of the Ministerial circular. Regardless of the fact that the GOM has not yet granted final approval of the Registry of Commerce reform program, the Ministry of Interior suggested that we proceed, arguing that the legal modification of the form is a simple process that requires a Ministerial circular. Should there be two circulars required, this would not create a problem at the Ministry of Interior.

### ***Manual of procedures for investment projects***

The objective of the Manual of Procedures is to streamline and standardize the services offered by the various RICs to domestic and foreign investors. It will contribute to quality and efficiency throughout the country, and ensure a reasonable amount of standardization of service. It is an essential tool for the training of new staff. Most importantly, the Manual of Procedures will ease inter-administration collaboration and transparency. To better appreciate this component, it is important to understand how procedures linked to investment were managed before the RICs were created. It must be remembered that:

- Often final approvals were granted by the Central Administrations. Regional administrations and delegates did not always have the power to approve the various requests presented to them. As a rule, the farther away an investor was from Rabat, the longer it took. In the case of projects of over 20 million \$US, investors could benefit from the Department of Investment's assistance. Investors in smaller projects did not benefit from any assistance, and had to comply with numerous administrative requirements and lengthy procedures..
- When regional representatives had the authority to approve the demands presented to them, they did so in a sequential way (in Morocco approval of investment projects involves multiple demands, authorizations, permits etc.). On average, when there were no unusual difficulties, it took between 6 to 8 months before an investor was finally able to proceed with his/her project.
- Obtaining the exact information on what procedures were necessary and which documents were required was difficult. Investors had to make multiple inquiries (and visits) to various administrations. Within the same administration, different officers often contradicted each other. Stories of investors turned off by the lack of reactivity of the administration abound. It is generally accepted in all

reports on investment trends<sup>6</sup> that heavy regulations and the resulting administrative delays create higher costs and increased risk for the investor .

- Clear and straightforward information on procedures and documents was not available to the clients, nor was information given on the decisions taken. This lack of transparency fostered corruption. In Morocco, as in other developing countries, heavier regulation is associated with informality and corruption (World Bank, 2004)

The RICs operate differently. First, they ensure that complete and straightforward information on all requirements, regulations and procedures, including documents required and expected delays, is communicated to the investors upon his/her first visit to the RICs. Instead of proceeding in a sequential way, they send the demands to all administrations involved at once, and immediately set the date for a meeting at the RIC. These administrations comprise the Regional Investment Commission.<sup>7</sup>

RICs already provide a valuable assistance to investors, and their importance is likely to increase in 2005. In the process of regionalization undertaken by His Majesty, twenty five (25) additional delegations of authority are expected to be granted by the central state to the regional Walis (and managed by the RICs).

In addition to the administrative procedures they successfully manage, several RICs hope to serve investors the same way that regional economic development agencies in the United States do. However, before they can undertake more responsibilities in regional economic development, they must structure themselves internally in the most efficient way. The contribution of this project to the strengthening of the RICs is the Manual of Procedures.

Our consultant, Jean-Michel Mas (MTDS), in collaboration with Said Aqri of the Investment Department and Nabil Kharroubi, Mohamed Yacoubi, Kharim Lahlou and Ahmed El Haouti, directors of the RICs of Rabat, Tangier, Agadir and Beni Mellal, respectively, developed the Manual of Procedures for investment projects - we asked for the assistance of these particular officials due to their relative experience with procedural and organizational development. Each of the national administrations involved has been contacted and asked to confirm various aspects of its internal procedures and those of its regional delegations.

The Manual of Procedures incorporates the 19 procedures used by the RICs and the DI. The modeling of procedures was undertaken in accordance with international best practices and standards. It provides for simple and easy procedural modifications and for the easy introduction of new procedures. The four RICs mentioned above and DI are

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<sup>6</sup> Including World Bank report Doing Business in 2005, and the study by American Chamber of Commerce of Morocco A Survey of Executive Perceptions about Business and Investing in Morocco, 2001.

<sup>7</sup> Administrations compliance may not be foreign to the fact that the Walis, through the powers delegated to them in the Royal Letter of January 9, 2002, have the authority to bypass them. In all cases, delays have been reduced from 6 to 8 months to 4 to 6 weeks.

currently revising Version 1 of the Manual of Procedures. As soon as it is approved by the group, it will be forwarded to all the RICs for their information. The project's objective is to have the Manual of Procedures approved by the national administrations, through a process of consultation with their regional delegations. At the current time, any given central administrations may have regional delegations that collaborate well with the RICs and others that do not, and the amount they charge for a service and the documents they request may vary from one region to the next. This can lead to administrative delays of varying duration and tensions between the RICs / Walis and regional administrations.

### ***Performance indicators for the RICs***

Our consultant, Faouzi Mourji, has developed indicators of performance to assess the RICs' work. In fulfilling his scope of work, he met with the RICs of Meknès, Kénitra, Tangier and Casablanca to discuss his mandate, to assess the RICs' needs and to become fully acquainted with their work. He noted that none of the RICs had work plans and most of them were unfamiliar with performance management and results management. In addition, he noted that the issue of measuring their performance is a very sensitive one. The performance indicators were developed at the request of the DCAE, which insisted on the need to develop "intelligent indicators" that can account for regional differences and avoid a subjective evaluation of the RICs. At the same time, another department of the Ministry of Interior expressed its needs for indicators on which to base the Ministry's budgetary allocations to the RICs. Mr. Mourji's draft report is currently being revised by our team. It will subsequently be sent to all RICs and to the DCAE for comments. A meeting open to all will then be organized to come to a final decision as to what indicators and methodology should be used by the RICs.

### ***Develop computer applications***

The project tasks include the development of computer applications for automating the procedures of the RICs, while accounting for applications already in place. Various computer applications are currently used by the RICs for business creation and to process investment projects. The seven largest RICs, which create large numbers of enterprises, use computer applications for business creation. They also have in-house databases (mostly developed with Microsoft Access) for investment projects. Given the small number of investment projects and the slower rate of enterprise creation they experience, the smaller RICs, with the exception of one, choose not to acquire any computer solutions.<sup>8</sup> It is, however, the wish of the Ministry of Interior that all the RICs use similar management tools and computerized procedures.

While we prepared to choose one of the computer applications, some of the RICs asked that we conduct an independent assessment of the two computer applications used. We proceeded as suggested, and our expert confirmed that both applications were

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<sup>8</sup> The development of the first application for business creation was undertaken for Agadir in the course of an USAID-funded pilot project for the One-Stop-Shop for business creation. The computer solution was developed after the single form mentioned above. After the RICs were created, another computer solution was developed based on the technical specifications used for Agadir.

satisfactory and performed very well.<sup>9</sup> In light of this, the financial analysis led us to select the application developed for Agadir since it is the property of the Ministry of Commerce, and could be made available to each of the RICs for only a small charge (for modification, installation and training of users).

Concurrently, Jean-Michel Mas, who was involved with the introduction of the One-Stop-Shop for business creation in Agadir, developed the technical specifications to computerize the procedures linked to investment. In the process, we realized that creating businesses (in Guichet 2) is just one more administrative procedure managed by the RICs, and that it could well be managed by the same computer application.

The administrative workload of the RICs has been steadily increasing since they were created. For instance, the RIC of Marrakech processed 745 permits for mining exploration in 2004. The mining permits involve several administrations and represent just one of the 19 administrative acts managed and simplified by the RICs.

To ensure greater efficiency of the RICs, we are proposing a system for internal management (business creation and servicing of investors) that would be web-based, and jointly used by the RICs and the Department of Investment.

RICs and DI will access the computer application through the a Virtual Private Network (VPN) that is entirely secure. Information will be transmitted as per EDI international standards. Only a computer, a printer and an Internet connection will be needed for a RIC or DI employee to access the network. For a very small cost, RICs will be able to open antennas at the level of the provinces and local counties (communes) as suggested in the Royal Letter, hence taking the decentralization of investment promotion further into the beneficiary communities.

The centralized database will allow the DI to proceed to fine analysis of investment in all regions. By standardizing the process, all RICs and the DI will use similar forms, and input similar data.<sup>10</sup>

By deploying from a single server the software needed for hosting, networking, maintenance, and anti-virus, the system will share costs and free smaller RICs from the financial and technological burden associated with the maintenance of complex information systems. It will provide improved standard delivery throughout the country, citizen access and accountability. It will also help Morocco fight informality and corruption by instilling better governance.

Type of Information being made transparent	Resulting benefits

<sup>9</sup> See Tarik Fdil, *Création d'entreprises: évaluation des applications informatiques des CRI*. July, 2004.

<sup>10</sup> It is worth mentioning that provision of greater access and decentralized services through the use of new information technology and the Web is an international trend. But in order to decentralized services, data must first be centralized. For example, the development of a unique identity for enterprises (identifiant unique) requires a centralized database of all enterprises.

<p>Rules and procedure governing services - public officials responsible for different tasks</p> <p>Information about decisions and actions of government functionaries: outcome and process e.g. award of permits and license, allocation of resources .</p> <p>Information on performance of investment: Statistical employment, income, etc. Performance indicator for Government departments</p>	<p>Standardizes procedures for delivery of service. Reduces arbitrariness, e.g. demand for additional documents</p> <p>Exposure of corruption and improved accountability</p> <p>Civic engagement in governance Greater accountability</p>
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Just as the Manual of Procedures provides for easy modification and expansion, the computer solution will be simple to modify in order to accommodate changes in procedures and increased decentralization.

Should there be resistance to the fact that we use a virtual network (which is fairly new in Morocco– only OMPIC and le Cadastre are using it), the applications could be installed on the servers of each individual RIC. The RICs could still share a Virtual Private Network among themselves and their partner administrations. A general meeting to discuss the matter was scheduled for December 17, 2004, but it was cancelled by the Ministry of Interior. Because we could not delay any further the development of the application, we held bilateral meetings with many of the parties involved. We presented and explained our system to the Ministry of Interior, the Department of Investment, and over 10 RICs. All those present supported the idea. The only resistance expressed so far comes from the RICs of Casablanca and Marrakech. We hope they will see the benefits of the VPN once it is online.

In addition to Mr. Mas' work, MTDS conducted an in-depth study on the potential for creating a technological platform at DCAE, and provided it with indicative figures for the acquisition of the equipment required, if application and database were to be installed within the Ministry of Interior. Our recommendation and preferred option is that the platform be hosted outside MI by a provider specialized in such services. Although it must be noted here, that the Ministry of Interior has the best technological platform in Morocco.

## A.2 Creation of public/private partnerships for regional economic development

Broad regional partnerships are envisaged to stimulate regional economic development.

As required by our contract, the following activities were organized in 2004:

### ***Study Tours to the US***

Two study tours to the United States were organized for 14 RIC Directors, two employees of the DCAE and two from the DI. The first group of eight participants went to Georgia and South Carolina (April 20-30), and the second party left on September 28<sup>th</sup>, bound for Washington, D.C., Virginia and Maryland. They returned on October 8<sup>th</sup>. The objectives of the study tours were to see how regional economic development agencies in the U.S. are structured both organizationally and operationally, how they promote investment (tools, strategy, funding, etc.), and how Private Public Partnerships (PPPs) can be used as a means for regional economic development. We also hoped that the participants' exchanges with their American counterparts would broaden their perspectives on the role and mission of the RICs.

The participants were highly impressed by the PPPs for regional economic development in general, and by the strong involvement of both the private sector and the educational sector in the planning for regional economic development and the marketing of the regions in particular. In terms of lessons learned, the participants have reported the following:

- Regional economic development is the responsibility of local communities, the private sector and educational institutions, as much as it is that of the government;
- Different players in regional economic development bring different sets of expertise that are complementary, as evidenced by the most interesting and relevant experiments encountered during the OST;
- The skills and qualifications of the workforce are fundamental to attracting investment;
- Regional economic intelligence is an essential part of the regional information system used to target and attract investors, as is the availability of this information on a website;
- Land, buildings and property in general are key to any effort to attract investors;
- Investment promotion agency structures should be light and flexible;
- It is important for attracting investors to work with existing industries and enterprises;
- The language of international and business communication is English;
- Moroccan entrepreneurs neglect the American market and the opportunities it offers;
- An approach focused on cluster development could be of great value to Morocco.

The RICs expressed their interest in creating several working groups to see how best they can implement some of the ideas and practices they observed in the United States. These will be discussed at their coming semi-annual forum to be held in Marrakech on January 7<sup>th</sup> & 8<sup>th</sup>. For more detailed accounts of the study tours, please refer to the resultant reports.<sup>11</sup>

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<sup>11</sup> Voyage d'étude en Georgie et en Caroline du Sud, June, 2004, and, Voyage d'étude à Washington, D.C., en Virginie et au Maryland, October, 2004.

### ***Training for local leaders***

In 2004, Andrew Thorburn and Abdellatif Mazouz offered eight training sessions for regional leaders in Agadir, Settat, Beni Mellal, Casablanca, Safi, Marrakech, Oujda and Tangier. A total of 202 individuals took part in the training sessions on regional economic development and investment. Through the RICs, we invited locally elected officials, business organization leaders, the directors of regional administrations involved with economic development and the most active professional associations. In most cases, the *Walīs* chaired the four-hour sessions. The objectives of the sessions included the synchronization of the regional decision makers' approaches to economic development, the promotion of a common basic understanding of the role of investment in regional economic development and the development of support for the RICs. The impact of these activities is not easily assessed. However, while the capabilities, interests and levels of authority of the participants differed largely from one region to the next (ranging from high-profile decision makers to basic administrative staff), these efforts have received a warm welcome overall and appear to have been greatly appreciated. The expertise of the trainers and the highly relevant content they developed accounts for much of the success of these programs. We will continue to offer these training sessions in 2005.

### ***Identification of best practices***

The identification and dissemination of Moroccan best practices worthy of replication in the general area of public/private partnerships, including business incubators, industrial park development, training programs for PME, and outreach to regional business is now underway through the project's web-based newsletter (see below). Our experience after working one year with the RICs, however, has been that the information about each individual RIC generally travels very efficiently, though in an informal manner. While we have managed to document in detail some of the practices through interviews and visits and incorporated them into our inaugural newsletter, we have realized that all of our partners can contribute to the development and collection of best practices and they generally prefer to maintain their informal system of sharing these. In addition, our study tours to the U.S. helped identify numerous international best practices and they have been shared by Andrew Thorburn, our investment promotion specialist, with the RICs' staff and directors, as well as with the regional leaders whom he has met.

### ***Web-based newsletter***

As stated in our contract, the objective of the newsletter is to provide updates of best practices and relevant information on investment promotion techniques and investor aftercare.

A first web-based newsletter was produced by the project in October. A second newsletter will be published in January. The project will then train a team at the DCAE to take over the production of the newsletter for the RICs under the project's supervision. The demand for a newsletter originated initially from the DCAE, which was likely influenced by an interest in international benchmarking. However, as



mentioned earlier, due to the fact that information seems to travel well informally among the RICs, many of the directors do not feel the need to make use of this platform and do not wish to contribute to it. In addition, the DCAE, being new to investment promotion, largely underestimated the resources required to produce a useful and interesting newsletter. In light of this, we are not entirely convinced of the sustainability of this effort. The Web-based newsletter is available on the project extranet at the following URL:

**<http://www.performancemaroc.com>**.

### *Semi-annual forum for the RICs*

The first semi-annual forum of the RIC Directors was held in Tangier on June 24<sup>th</sup> & 25<sup>th</sup>.<sup>12</sup> 14 Directors and two representatives of the DCAE attended the meeting. The objective of the semi-annual forums is to provide the RIC Directors with the opportunity to exchange experiences among themselves. We seized the opportunity of having the RICs together in order to update them on our activities. In the tentative program, we also proposed to facilitate a session intended to identify common issues which could potentially be addressed and resolved jointly. This first semi-annual meeting led to some very important progress and lessons learned for the project:

- While the RICs worked very well together when they were created and helped each other with the organization of their One-Stop-Shop for business creation, they now seem to have entered a phase of competition for investment that does not foster cooperation among them.
- RICs fill a void within the regions where no single administration acts as a catalyst for efforts aimed at regional development. The *Walis'* pressure on the Directors for speedy results seems, in some cases, very high. The Directors want to deliver and ask for our immediate assistance to "get investors here." In this context, our efforts to streamline and standardize procedures, to promote transparency and good governance and to improve the quality and efficiency of the assistance to investors are not perceived as priorities.
- Absence of a shared understanding of their role and mission provides for the RICs to be divided into three main groups. A first group of RICs see themselves simply as one administration like any other. The second group comprises the RICs that are eager to play an active role in regional development; more-or-less similar to that of the regional agencies they visited in the U.S. Lastly, a few small RICs located in regions with limited economic potential seem unconcerned by the debate and typically remain silent. Different RICs have different needs and numerous individual demands. It is a challenge to keep them all involved in the project, and to work in the interests of the group as a whole.
- The DCAE and the RICs have different perceptions of the line of authority between the RICs and the Ministry of Interior, as well as of the role of the DCAE itself. While their administrative link to the Ministry of Interior has helped them

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<sup>12</sup> Première rencontre semestrielle des directeurs de CRI, Daif Abdennasser, July, 2004.

establish a high profile within their respective regions, some of the RICs mistrust the DCAE's efforts and intentions toward them. They have reminded us that they fall under the supervision of the *Walis* and not under that of the DCAE.

In Tangier, some of the RICs strongly expressed their frustration with the project, which they had hoped could address some of their more pressing issues. They boycotted the part of the agenda that dealt with the identification of potential cooperation on common problems. Considering that the project's objectives at this meeting reflected the demands of the DCAE, the RICs asked that it be revised to accommodate them.

RICs are not likely to ever speak in one voice in the near future. They will remain cautious of everything linked to the DCAE and, in spite of all our efforts, they do not easily see the importance of system and procedures, results management, work plans and clear objectives. Transparency and good governance, in their views, are not urgent considerations and they do not see how closely tied those are to investment. Exchanges in Tangier were a little tense but they were very straightforward and honest, and we feel it is very important that RIC Directors continue to meet through the project.

### **A.3 Enhanced capacities for investment promotion**

#### ***Development of regional strategies***

Hands-on assistance to the RICs with the development of promotional strategies and information about their regions and sector opportunities for foreign and domestic investors is being provided by the project to three regions: Marrakech, Oujda and Casablanca/Settat. These strategies aim at addressing some of the most important challenges facing the RICs and the DI. These include:

- A desire to attract investors to the regions without being able to articulate what role the investors could/should play in the context of the regions' economic development. The result of this shortcoming is that there is no clear definition of the sectors or geographic areas to be targeted and little understanding of the product characteristics that need to be developed in order to present a competitive and attractive offer to a potential investor.
- There are many organizations and actors at both a national and regional level who have agendas and budgets focused on support for particular aspects of regional development (transportation infrastructure, education, rural development, etc.) that do not share a common vision. Studies are being commissioned and strategies developed at a national and/or regional level that have no regional coherence and no shared understanding of critical priorities. The result is much activity, but little progress.
- There is no coordinating body for economic development in the regions. Accordingly, some RICs see a much wider role for themselves since both they and their respective *Walis* recognize the nature of the vacuum and the need to address it if the regions are to have larger input into their own destinies.

- The links and areas of cooperation between the DI and many RICs are relatively unproductive because neither party fully understands the needs of the other. The DI sees its role as strictly promotional and is relatively inactive in generating actual investment leads. It does not see a role for itself in working with the regions on product development issues or coaching them on the development of marketing or promotional materials that meet international standards. On the other hand, the regions do not have the skills or knowledge to either analyze their products from an investors' perspective or to put in place a product development strategy. Thus for the most part they are unable to provide the DI with what it really needs.

While there are no easy solutions and the project must be realistic about what it can achieve given its limited resources, we have created a methodology to address these issues in a constructive and sustainable manner. The way forward for both the regions and the RICs is to start the process of regional economic development planning to help regions move in a concerted and focused manner from analysis to action.

Experience in Europe and the U.S. shows that regional economic development strategies are most successful in generating results when all key regional actors are involved in the process of data collection, analysis, strategy building and implementation. While building a consensus among previously competing groups and organizations is an arduous process, the collective strategy tends to be easier to implement because all parties understand their role and how it contributes to the overall regional vision. We have thus proposed to work with three regions to pilot this methodology in Morocco.

These regions have been chosen because they represent three different types of regional development challenges. Together we estimate they account for 37% of the active population of Morocco, and more than 50% of the country's GDP.

The Casablanca and Settat regions have agreed to develop a joint strategy. The regions complement each other with Settat providing excellent land assets and a low cost base, while Casablanca combines the sophistication of a major metropolitan region with an excellent services and logistics infrastructure, good R&D facilities and a relatively skilled workforce. The challenge here is to help the region become world-class rather than simply of relatively good standing.

The Marrakech region has few apparent problems. However, the bulk of its wealth creation and employment activity is based on international tourism. The region is keen to diversify away from this mono-industry to a more broad-based economy. The strategy will focus on identifying opportunities for diversification that build on existing strengths and opportunities.

The Oujda region has many apparent problems and is a development priority for the national government. The region has a closed frontier with Algeria, high unemployment, a large and relatively unproductive agricultural sector and no key industries. The local challenge to SMEs and investors is further compounded by the unregulated activities of smugglers and the presence of counterfeit goods, which makes it hard for local producers to survive. There are many initiatives and studies underway in the region, and the

challenge identified was to bring them together and move from analysis to focused action. With 50% of the regional population under 15 years old, the region must urgently tackle the issue of job creation to avoid significant social unrest.

The methodology we have developed builds on the basis that the regions take the lead in organizing and financing both the strategy development process and the resulting action plans. Andrew Thorburn, assisted by Abdellatif Mazouz, brings the technical expertise, tools, training and supervision to the Strategy Development Commissions, which consist of key regional actors and individuals from the working groups they have created.

The Strategy Development Commissions and the working groups for Settat, Marrakech and Casablanca have almost completed the collection of the regional information that will lead, early next February, to the detailed SWOT analysis and the identification of priority sectors. In the case of Oujda, the region choose to work from the Strategy developed through the GOLD Maghreb initiative.<sup>13</sup>

In Morocco GOLD is working with 4 Regions (Tangiers, Marrakech, Orientale and Fez) two of which (Orientale and Marrakech). Using a methodology called “*Cartes des risques et des ressources*” the GTR identifies regional priorities and projects that focus on the social, economic and cultural development of the region. The output of this work is a Regional Marketing Report, which is circulated to potential partner organisations and regions that might be interested in participating in or supporting some of the projects. The initiative aims at reinforcing the decentralization process through supporting inter-regional cooperation and promoting development through a participatory process involving local administrations, associations and the private sector.

We also think that Oujda had everything to gain in working with us, since USAID’s project is narrowly focused on economic rather than social development, and will produce more specific actions based on the need to create jobs and wealth through investment and improvement of the business environment. At the same time, we perfectly understand Oujda’s wish not to repeat what appears to be done. When our team moves into the development of action plans for the strategies, Oujda will resume its work with the project.

In the meantime, we are trying to locate an expert on the development of chains of suppliers for Oujda to hire outside the project budget. Given the Plan Azur Investment in the Orientale, we would like someone to examine what a tourism cluster would look like, and how it would service investors in tourism. To maximize the regional economic impact of the Plan Azur, it is essential that such a cluster develop. This analysis would subsequently feed into the Orientale work plan.

Some key international information will also be required to target sectors and investors. These are mostly informational databases which can be accessed through a yearly subscription. We negotiated the acquisition of LocoMonitor (<http://www.locomonitor.org>) on a cost-sharing basis with the DI, and the RICs of Casablanca, Marrakech and Settat. Their investment in this subscription further enhances the sustainability of the initiative. The question that remains is how the smaller and less advanced regions can access these costly sources of information. Underlying this is

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<sup>13</sup> GOLD is an acronym for *Gouvernance Locale de Développement*, a UNDP-funded initiative.

perhaps another equally important question: do all the regions of Morocco have potential to attract FDI and should they all be active in investment promotion? The answer to both questions may open additional avenues of cooperation between the DI and the RICs. Training on the use of the database will be provided by an OcoConsulting expert from Ireland to 15 employees of the RICs involved in this component, along with the DI and DCAE. We hope to have the training provided the same week as the semi-annual meeting of RIC Directors. The OcoConsulting expert could then provide a demonstration of the database for the benefit of all the RICs.

For their part, the DI involved some of their project managers in the various regional Working Groups, and they will get more involved when the groups move from data collecting to data analysis. As RIC employees learn in doing this, so will the DI employees. This would be particularly relevant that the DI, in the near future, should consider doing sector studies at the national level. Since the methodology for national analysis is the same as for regional analysis, it seems relevant to have the DI employees benefit from the expertise we are bringing to the selected regions. The exercise will also further exchanges between the two.

Oujda is not involved at this stage and will be invited to rejoin the group next spring when the project moves to the development of work plans for the strategies' implementation. Oujda, like three other RICs, is involved in an UNDP initiative for Arab countries named GOLD. The initiative aims at reinforcing the decentralization process through supporting inter-regional cooperation and promoting development through a participatory process involving local administrations, associations and the private sector.<sup>14</sup>

### ***Training in investment targeting, principles and structure***

A first, three-day training session on regional economic development and investment was organized in Settat in May 2004. A total of 26 employees from 9 RICs<sup>15</sup> and the DI attended the session facilitated by Andrew Thorburn and Abdellatif Mazouz. Topics included in the program were: Trends and Dynamics of Foreign Direct Investment (FDI) in 2004; Understanding Investors' Needs; the Role of Regions in Attracting Investment; Benchmarking Your Organization; Using the Information to Identify Strengths to Promote; Creating Filters to Select Key Sectors for a Region; Creating a Marketing Strategy; the Role of Clusters in Developing Competitive Strengths; Turning a Lead Into an Investment; the Role of Property in the Regional FDI; Investor Aftercare and, Backwards Linkages – Maximizing the Impact of FDI Among the Local SMEs. Due to lack of time, and the additional time required to facilitate a participatory approach, the last three topics were not entirely covered.<sup>16</sup>

The training was well received and appreciated by all the participants. RIC employees initially had little or no notion of investment in general, nor of FDI in particular. During

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<sup>14</sup> The program is oriented toward social development. See Nov. 28 Weekly.

<sup>15</sup> For this first training, we gave priority to the regions where the training of local leaders described earlier had previously been held.

<sup>16</sup> See Atelier de Formation en Développement Régional et Promotion des Investissements: 18 au 27 mai 2004, May, 2004.

the training, they realized that their work called for specific skills they did not have, and that Morocco's competitors were highly specialized in the work of attracting investors and making FDI work in the interest of SME development and the national economy. If the DI and the RICs so wish, we shall offer a similar training program in 2005.<sup>17</sup>

## **B. Assistance to the Investment Department**

### **B.1 Strengthen the functioning of the investment directorate and its information system**

#### *Organizational review of the Investment Department*

In Spring 2004, Samuel Morris (former COP) conducted a brief organizational review of the DI. The objectives of the review were the same as the objectives of our visit to the RICs at project start-up: to see how the DI is structured, organized, and staffed, and to observe generally how it operates. The reader is referred to the full report produced.<sup>18</sup> In summary, Mr. Morris noted the following:

- The budget allocated to the DI is inadequate. Mr. Morris based his evaluation on a publication by UNCTAD<sup>19</sup>, which reports that the average promotion budget of IPAs worldwide is \$1.1 million. In contrast, the DI claims around \$100,000 as a budget for promotion.
- Despite being under-funded, the DI is overstaffed (62 employees). According to the previously cited Advisory Study 17, the general IPA profile has a staff of 29 employees.
- The culture of an effective IPA is more oriented toward the practices of a private sector entity than to those of a government administration. The obligation of the DI to follow the practices and procedures of government administration in procurement, contracting for services, personnel recruitment, remuneration, and approvals for travel, etc., constrain the promotion activities of the DI.
- The DI is not structured to do aggressive marketing. It is separated into divisions, as would be any other civil administration. A restructured Department of Investments under a Board of Directors with substantial private sector representation would advance the program of economic development.
- When it was first established, the investment promotion program's purpose was the recruitment of new business and industry. Today's policy tends to concentrate some of the economic development agency's efforts on existing industry. This helps the promotion agency to recognize both the strengths and the deficiencies

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<sup>17</sup> Referring to the skill levels of IPAs, a regional benchmarking classified Morocco in the group of countries lagging behind, but with good potential to attract FDI. See Investment Promotion Tools in the MEDA Region, ANIMA Papers & Studies # 2, September, 2004.

<sup>18</sup> See Revue organisationnelle de la Direction des Investissements, June 7, 2004.

<sup>19</sup> UNCTAD, Advisory Studies 17, The World of Investment Promotion at a Glance, A Survey of Investment Promotion Practices, New York and Geneva, 2002.

of its product. The DI has no Existing Industry Program and very little knowledge of national enterprises.

- A large number of IPAs have established overseas offices. Tunisia's FIPA (Foreign Investment Promotion Agency), one of Morocco's competitors, has overseas offices in Italy, France, Germany, the U.K. and the U.S. The DI has no representative offices overseas.
- It is recommended that the DI change its name to include Morocco in its title so that it is readily identified as the agency responsible for investment in the country.

In the end, Mr. Morris concluded that the DI is a young organization. It is constrained by the old structures and procedures that it has inherited from other governmental institutions. Globalization and rapidly changing market situations make heavy demands on the information processing and decision-making capabilities of any promotional agency. A civil administration entity is not well adapted to the flexible response and effective customer service that is required in today's highly competitive investment promotion environment.

Notably, the young staff of the DI impressed Mr. Morris with their knowledge and eagerness to make progress.

### ***Manual of organizational principles***

Subsequent to his brief organizational review of the DI, Samuel Morris produced a Manual of Organizational Principles which included a broad proposed restructuring of the DI. The Manual presents a new organizational chart for the DI, describes the role and functioning of departments including that of an Existing Industry Program, and proposes summary job descriptions. It also describes promotional activities that should be undertaken by the DI, and how representatives abroad should function.

The objective of the Manual is to suggest a different operational structure for the DI. The organization should now take the Manual, distribute it to all its employees, create working groups to study the recommendations, and modify the document through an internal restructuring process. The DI expressed the wish to proceed that way once they finish developing the content for the investment portal website.

One of the chapters of the Manual focuses on the creation and management of product files, marketing files and project files. Even if the project's resources do not provide for the development of an information system as the DI was hoping, we believe that the suggestions made to the DI in terms of how their internal information system should be organized will be useful.

### ***Procedures manual and internal management applications***

In working with the DI and the RICs, we realized that many of the objectives of the Manual of Procedures for both organizations were the same: to streamline and

standardize the services offered so as to provide better quality and to increase efficiency. Furthermore, since all the procedures were the same for the DI and the RICs, with the exception of one, and since even agreements for investment projects of over 200 million Dirhams must be approved at the regional level<sup>20</sup>, it was decided in agreement with the DI and the RICs to develop one Manual of Procedures for all investment related procedures.

The computer applications to be developed for the RICs and the DI will therefore be the same and, we hope, all files will be kept in one central database, which should ease the exchange of project documents. Currently, both public data and investors' confidential information are exchanged through regular e-mails and with total disregard for minimum security standards and internationally accepted protocols on the transmission of such data.

## **B.2 Development of an investment promotion information system**

### ***Portal site for investment promotion***

A DI priority for this project was to have a portal website for investment promotion. It did set up a working committee to assist our sub-contractor, ARGAZE, in its work. The site was developed after an international benchmarking of IPAs throughout the world and is entirely parametrable and dynamic. Oriented towards the development of an e-marketing strategy, it collects information and manages leads. It took six months for ARGAZE to complete its work. The site is currently hosted on the DI server. It is not yet on-line because some of the content remains to be developed by the DI staff, who have been monopolized all Fall with the organization of their annual conference on investment (*Les Intégrales de l'Investissement*). Once completed, it will be translated into English by the project in order to ensure quality control of the English version.

The DI portal website provides in-depth information on the Regions of Morocco. On the site's main page, a map of the country illustrating the 16 administrative regions takes the visitor to more information pages on each region, the RICs and their individual websites.

Over the course of the collaboration between the DI and the RICs on this project, the DI will likely be given access to detailed information needed by investors on issues such as property, cost of labor, workforce skill levels, etc. – information that the Working Groups associated with the regional strategies are currently collecting. DI expressed much interest in integrating this type of information, and ARGAZE remains available, at no additional cost, to incorporate any joint databases that hopefully will be developed through the increased cooperation between the two entities.

### ***Promotional website***

The project agreed to the DI request for the development of a small website to promote the various events it organizes. The site was developed for the conference on investment.

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<sup>20</sup> As a reminder, RICs were granted authority over projects of less than 200 million Dirhams. Projects above that amount are approved by the National Investment Commission headed by the Prime Minister (the Commission's Secretariat is the DI). Not sure what you mean by "ensured".



It is entirely parametrable and can easily be modified through its front office interfaces. It will be used by the DI to promote its conference on investment in Arab countries, for the future editions of Les Intégrales and any other event organized by the DI that requires advertising.

### C. Project Management and Administration

The third quarter of 2004 was marked by the departure of Chief of Party Samuel Morris who resigned from his position and left Morocco on July 7<sup>th</sup>. Per his contract, Mr. Morris was to be involved in the project until March 2005. The decision was made not to recruit a new Chief of Party for the remaining months.

Instead, Chemonics proposed recruiting Andrew Thorburn to act as the Investment Promotion Specialist on a recurring short-term basis. Mr. Thorburn is a senior investment promotion, trade, and export specialist with more than 15 years of experience. He has served as a senior management advisor for economic development and investment promotion agencies in the Czech Republic, Poland, and Lithuania on marketing, training, operations, site development, investment policy and overall development strategies. Mr. Thorburn will spend the equivalent of 10 days per month in Morocco until the end of the project. In the process of reorganization, Abdellatif Mazouz's LOE was increased from two-and-a-half days per week to four days per week, and Suzie LeBlanc was appointed Project Director.

The project is also making increasing use of the extranet it developed to communicate with its partners. The extranet was placed on-line in June, and user accounts for all of the RICs' and the DI's employees were established in July. All project reports are available on the extranet and, in addition, the project posts articles and specific information on investment, as well as the Web-based newsletter.

<p>The objectives of the extranet are to ease communication with our numerous partners and to provide the RICs' staff with general information. More importantly, we hope to promote the everyday use of the Internet as a means to stay abreast of relevant developments in investment promotion. Due to the fact that the RICs' employees are dispersed over a large territory and often work in isolation, we feel that the Internet could supplement the lack of direct access to training, conferences, seminars, etc., and we aim to promote its use. Results achieved so far are deceiving. Few RIC Directors are themselves Internet users, and therefore do not encourage their staff to spend time on the Web to upgrade their knowledge. RIC employees do not have internet access in their homes the way we do in North America, and have very little time during working hours to devote to the exercise.</p>
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On our part, we grossly underestimated the amount of work required to use such a tool in a dynamic and efficient manner. Two days a week should be devoted to the management of the Intranet, which is inconceivable given our workload.

Also, the fact that the majority of RICs employees still work without the motivating status mentioned in the Royal Letter, two years after the Regional Investment Centers were created, has a strong impact on their motivation and willingness to invest further in

the acquisition of additional skills. Some of the employees that took part in the training we offered in Settat have left the RICs to take up opportunities elsewhere. Others are actively looking for other work. So far, only contractual employees have seen the problem of their status solved. The bulk of RIC employees (80%) are paid the basic salary they had in their previous administrations, but are not paid any of the bonuses and benefits they are entitled to receive, even if new benefits have not been set up for them.<sup>21</sup>

While the Royal Letter specifically mentioned that employees of the RICs would benefit from a special and motivating status, the problem linked to the granting of this status to the majority of RIC employees remains unsolved. <sup>22</sup>

## CONCLUSION

The first year of project implementation has been extremely rich in learning that has contributed and continues to contribute to better choices and approaches on our part. Yet pressure on our team has been intense at times and remains so. There are various reasons for this, including the large number of partners and limited resources, administrations that are not really interested in collaborating with each other, and competition among RICs. The fact that the scope of some of the project's deliverables can be subject to different interpretations has also created difficulties. Depending on the reader, "information system" for instance, can mean an inexpensive internal communication network or a complex, centralized database containing all the information required by investors that is updated automatically by a set of regional databases. In this context, our partners argue that their understanding should prevail when they feel it is in their interest to do so. In addition, This situation has not been improved by the fact that outputs expected at the end of 2004 will instead be delivered at the beginning of 2005. We believe that continued focus on RIC communication and collaboration through the trainings, and the other activities noted above will yield visible improvements in the project operating environment over the coming year.

Efficiency is doing the best we can given the resources we have. We think we managed to ensure sustainability to most of our activities, and the knowledge we have gained of our partners, investment in Morocco, and regionalization has convinced us more than ever of the relevance and importance of this project. We are thankful to the staff of USAID/Morocco's Economic Growth Division for their constant support.

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## M. Uganda Strengthening the Competitiveness of Private Enterprise (SCOPE),

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<sup>21</sup> Bonuses and various benefits can represent over 70% of total remuneration.

<sup>22</sup> Not surprisingly, RIC Directors find the situation unmanageable. On several occasions, they requested our assistance in solving the matter. We have thus far limited our interventions to oral reminders and questions to our partners at the Ministry of Interior, without any results. We will shortly issue a memo detailing our findings and recommendations for employee salaries at the RICs.

**TO#828**

***Start Date: December 18, 2003***

***End Date: December 31, 2006***

***Amount of Delivery Order: \$5,922,598***

## **INTRODUCTION**

This quarterly progress report covers the implementation of SCOPE – Strengthening the Competitiveness of Private Enterprise – for the period October to December 2004. SCOPE was awarded by the United States Agency for International Development (USAID) to Chemonics International Inc. and its consortium of implementing partners under a SEGIR GBTI Task Order on December 18, 2003. SCOPE is currently in its second year of implementation.

### **SCOPE Overview**

SCOPE seeks to expand the competitiveness of targeted subsectors by promoting private sector-driven market initiatives, increasing institutional capacity for competitiveness, structuring a results-oriented, sustainable private-public competitiveness dialogue, and supporting development of an enabling environment for broad-based economic growth through expanded trade. SCOPE facilitates the transformation of sub sectors into competitive national industries through formation of clusters which work to improve competitiveness in international, regional, and domestic markets. SCOPE promotes formation of business-driven, economic clusters in the coffee, cotton, horticulture (flowers and vanilla), grains (maize and beans), oilseeds, dairy, and fisheries sub sectors, as well as the tourism sector.

Figure 1 shows the SCOPE organization structure. Headed by a Managing Director who serves as Chief of Party and technical coordinator, SCOPE operates within three technical components. Activities are carried out by cross-unit teams, each managed by a technical specialist. A two-person expatriate advisory team provides expert support in the areas of strategic business planning, institutional development, and trade and investment facilitation. Technical Support and Logistics and Administration Units provide critical support services to the entire activity.

**Figure 1: SCOPE Organization Chart**

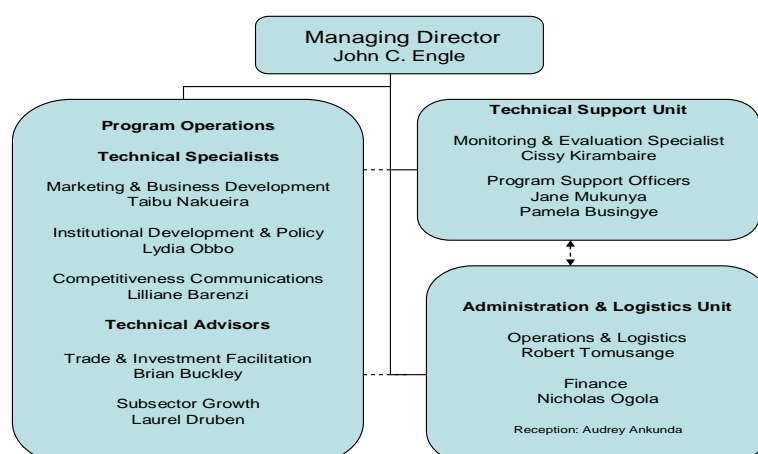
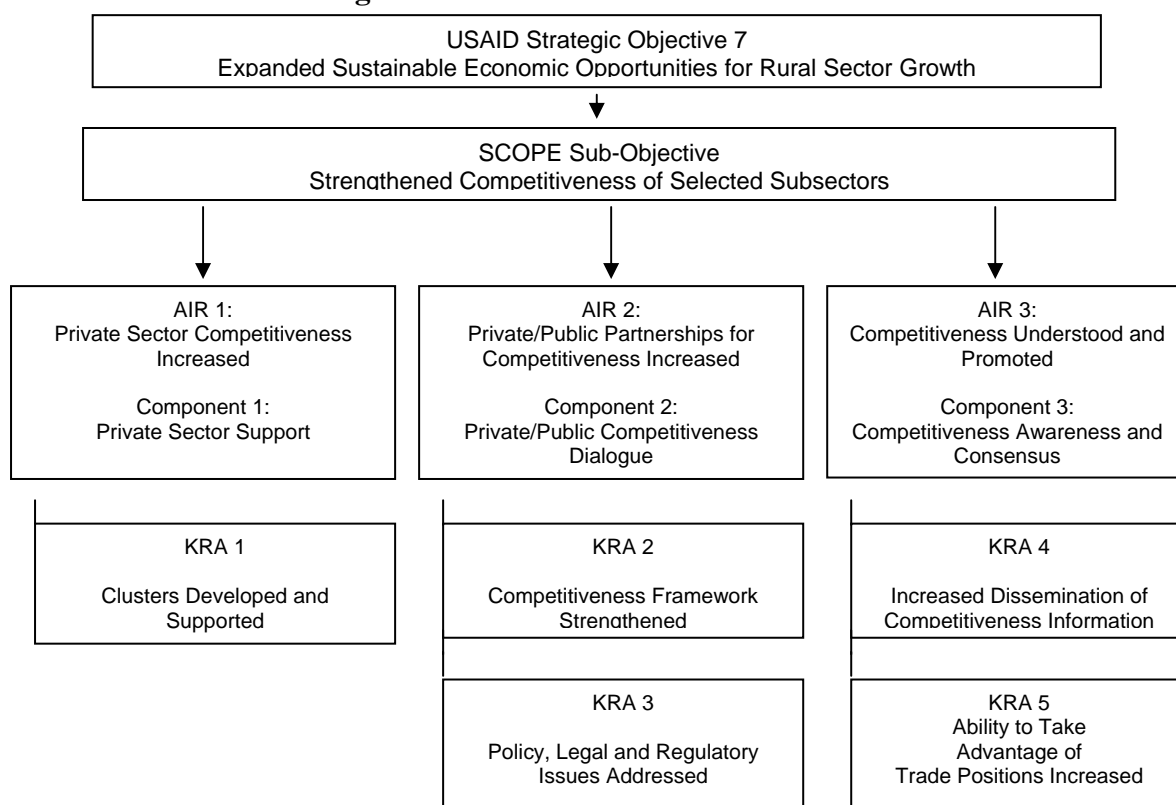


Figure 2 on the following page shows the SCOPE Results Framework as amended for Year 2 to support better application of team resources to expanded activity levels and strengthen SCOPE's ability to reach its target indicators. SCOPE's three components remain the same for Year 2. However, the total number of KRAs is reduced from 9 to 6, with five KRAs covering technical activity. The sixth KRA deals with program management.

**Figure 2: SCOPE Results Framework**



***AIR 1: Private Sector Competitiveness Increased***

AIR 1 encompasses all activity related to Sub Sector Transformation (see Stages to Ugandan Competitiveness Table on page 4). KRA 1, “Clusters Developed and Supported,” is an amalgamation of two previous KRAs which read, “Market-driven Clusters developed” and “Market-driven Clusters Supported”. The new KRA encompasses all activities related to planning, providing technical support for, and monitoring and evaluation of all stages of cluster development and implementation. Functions related to monitoring, evaluation and directing the flow of Competitiveness Incentive Fund (CIF) resources are integrated into technical activity. This component is managed by the Marketing and Business Development Specialist, with support from the Monitoring and Evaluation Specialist.

### ***AIR 2: Private-public partnerships for competitiveness increased***

AIR 2 KRAs encompass SCOPE activity carried out in support of strengthening Uganda’s Competitiveness Framework (see Table 2) and the institutions within it. Under KRA 2, SCOPE works in partnership with the PSFU, MTCS, and sub sector associations to address issues related to the conceptual framework for competitiveness and to expand the capacity of these institutions and others to support competitiveness initiatives. Under KRA 3, SCOPE forms and facilitates various types of private-public partnership and advocacy programs to address policy, legal, and regulatory issues identified by clusters. The Institutional and Policy Development Specialist manages this component.

### ***AIR 3: Competitiveness understood and promoted***

AIR 3 is carried out through two KRAs. KRA 4, “Increased Dissemination of Competitiveness Information,” expands the range and type of communications activities with which SCOPE is involved, concentrating on facilitating the ability of critical publics, such as the media, partner organizations and students, to strengthen their ability to communicate competitiveness messages. KRA 5, “Ability to Take Advantage of Trade Positions Increased,” supports competitiveness by expanding access to information and insight on trade opportunities, particularly through use of access to trade agreements, and to the potential for communicating competitively with target audiences through new approaches to national and commodity branding. AIR 3 is managed by the Competitiveness Communications Specialist.

## **Tools for Organizing Competitiveness**

At the outset of the project, SCOPE devised the Stages to Ugandan Competitiveness table, which appears on the following page, as a tool to facilitate project ability to organize, monitor and report upon activities. The tool proved invaluable as a guide for first-year implementation.

In the second quarter, SCOPE will conduct a review of its activities to date, a kind of self-assessment of progress. As part of this review, SCOPE and its partners will assess the Stages to Ugandan Competitiveness tool with an eye to identifying lessons learned and directions for the future. In preparation for this review, we introduce in this report an addendum to the Stages to Ugandan Competitiveness table. Table 4,

How the Stages Work, appears on page 5 and provides an overview, based on experience, of how the stages are used in practice.

**Table 1: Stages to Ugandan Competitiveness**

<b>Subsector Transformation</b>		<b>Competitiveness Framework</b>
<b>Subsector Positions Defined</b> <ul style="list-style-type: none"> <li>• Market opportunities defined</li> <li>• SWOT analysis #1 carried out</li> <li>• Comparative advantages determined</li> <li>• Target markets and products identified</li> <li>• Private and public sector actors reviewed</li> <li>• Value chain and linkages profiled</li> <li>• Pre-cluster activity defined</li> <li>• Preliminary APEP, PRIME, SPEED opportunities identified</li> <li>• Economic baselines established</li> </ul>	<b>Stage 1</b>	<b>Framework Assessed</b> <ul style="list-style-type: none"> <li>• Subsector policy/legal/regulatory frameworks mapped</li> <li>• Review of MTCS programs completed</li> <li>• Assessment of MTCS position carried out</li> <li>• Review of PSFU programs carried out</li> <li>• Assessment of PSFU capacities completed</li> <li>• Assessment of subsector associations carried out</li> <li>• Subsector association profiles prepared</li> <li>• PSFU profile completed</li> <li>• MTCS profile completed</li> </ul>
<b>Cluster Business Plans Developed</b> <ul style="list-style-type: none"> <li>• Private sector caucuses held</li> <li>• Private sector champions identified</li> <li>• Business surveys carried out</li> <li>• Market expansion targets set</li> <li>• SWOT analysis #2 carried out</li> <li>• Business plan agreed upon</li> <li>• Cluster participation defined</li> <li>• Cluster formation meeting(s) held</li> </ul>	<b>Stage 2</b>	<b>Framework Strategy Developed</b> <ul style="list-style-type: none"> <li>• MTCS strategic development program prepared</li> <li>• MTCS roles re clusters defined</li> <li>• PSFU roles per cluster defined</li> <li>• Plan for upgrading competitiveness framework prepared</li> <li>• Communications requirements assessed</li> <li>• Communications program developed</li> <li>• Baselines developed</li> <li>• Association strategic development programs defined</li> <li>• Legal/regulatory issues identified</li> </ul>
<b>Cluster Strategies and Action Plans Developed</b> <ul style="list-style-type: none"> <li>• Cluster members recruited</li> <li>• Cluster roles defined by private sector, regulatory bodies, associations, research and training organizations, government</li> </ul>	<b>Stage 3</b>	<b>Capacities Expanded</b> <ul style="list-style-type: none"> <li>• Baselines incorporated into MTCS monitoring framework</li> <li>• Communications program installed in initial participating organizations</li> <li>• MTCS capacity to analyze and report on competitiveness</li> </ul>

<ul style="list-style-type: none"> <li>• Cluster leadership appointed</li> <li>• Cluster strategy developed and negotiated</li> <li>• Implementation/action plan in place</li> <li>• MOU signed by cluster members</li> <li>• Cluster monitoring and reporting system developed and operational</li> </ul>		<p>supported</p> <ul style="list-style-type: none"> <li>• PSFU capacity to report on competitiveness increased</li> <li>• Association capacities to support cluster activities supported</li> <li>• Competitiveness capacities of key public sector agencies expanded</li> <li>• National awareness program developed</li> </ul>
<p><b>Cluster Action Plans Implemented</b></p> <ul style="list-style-type: none"> <li>• Market linkages expanded</li> <li>• Regular meetings supported</li> <li>• Resources leveraged</li> <li>• Business partnerships developed and supported</li> <li>• Export linkages coordinated</li> <li>• Monitoring and reporting carried out</li> </ul>	Stage 4	<p><b>Framework Strengthened</b></p> <ul style="list-style-type: none"> <li>• Standards, certification, quality, branding programs developed and supported</li> <li>• Trade, regulatory issues constraining subsector growth addressed</li> <li>• Association revenue generation programs operational</li> <li>• National awareness program implemented</li> <li>• MTCS established as focal point for Uganda global competitiveness conference</li> <li>• Partnerships expanded and strengthened</li> </ul>
<p><b>Clusters Sustained</b></p> <ul style="list-style-type: none"> <li>• New clusters emerging based on SCOPE model</li> <li>• Regular media coverage provided for all cluster-initiated activities</li> </ul>	Stage 5	<p><b>Framework Sustained</b></p> <ul style="list-style-type: none"> <li>• Clusters operational within sustainability plans</li> <li>• Subsector associations provide support services as part of sustainability strategies</li> <li>• PSFU private sector policy platform firmly established</li> <li>• Competitiveness Council/Forum in place to sustain effective dialogue</li> </ul>



**Table 2: How the Stages Work**

<b>Subsector Transformation</b>		<b>Competitiveness Framework</b>
<p><b>Competitive Positions Defined</b> Competitiveness planning, whether for an industry or commodity sub sector, requires assessment and analysis of competitiveness potential. The steps within this stage represent different aspects of assessment required to support analysis of competitiveness potential. Time needed for completion depends upon, e.g., complexity of industry/sector, availability of data, ability to access subcontract or TA support for the process.</p>	<p><b>Stage 123 (3 months)</b></p>	<p><b>Framework Assessed</b> As a way of thinking and operating, competitiveness needs to be internalized within organizations and entities – whether public or private -- that have ongoing roles to play in the process. Stage 1 includes assessment of relevant private and public organizations in terms of their levels of competitiveness awareness and their institutional capacity to undertake roles within the competitiveness process.</p>
<p><b>Cluster Business Plans Developed</b> Stage 2 represents steps carried out to introduce business leaders to competitiveness and to work with them to set targets, to identify constraints to growth and strategies for addressing them. The stage culminates with production of a written business plan which includes definition of areas for private-public partnerships. The length of time required depends upon the complexity of the sub sector/industry and the quality and availability of private sector champions. In cases when parts of Stages 1 and 2 can move together, time-frames are shortened.</p>	<p><b>Stage 2 (6 months)</b></p>	<p><b>Framework Strategy Developed</b> Stage 2 activities cover work carried out to assist framework organizations and institutions to define their roles with regard to competitiveness and to develop plans for strengthening their ability to play these roles. Sub sector associations are of particular importance to work within this stage. Tools used to support capacity building are Strategic Development Programs or Industry Development Support Programs, which outline strategic directions and define the range of programs and services needed to support capacity building activities</p>
<p><b>Cluster Strategies and Action Plans Developed</b> The private sector moves from its core planning group to expand the cluster to include other relevant actors, from both the private and public sectors. The business plan is presented and discussed and agreed upon. Cluster members develop and agree on strategies and targets for moving the business plan forward</p>	<p><b>Stage 3 (3 months)</b></p>	<p><b>Capacities Expanded</b> Stage 3 covers work carried out with target entities to build organization capacities to support competitiveness. Particular focus is placed on capacity to analyze and report on competitiveness effectively. Stage 3 involves developing full programs plans to support implementation of the strategic directions defined in Stage 2. Stage 3 activities, therefore, include</p>

23 Timings given for each stage represent average amount of time required.

<p>within the context of action plans that define how cluster members will work to support the plan. Where possible, these plans are agreed to in writing. In cases where business plans are clear-cut, Stage 3 can take even longer than the three month minimum, in cases such as Uganda, where it is difficult to schedule meetings, to get cluster priorities discussed and sorted out.</p>		<p>assisting target organizations to put their identified programs into place and to develop revenue generation and sustainability strategies to support their operations. At this stage in building the competitiveness framework, the groundwork has been laid so that it is possible to develop and launch national awareness activities.</p>
<p><b>Cluster Action Plans Implemented</b> Stage 4 activities include all intensive work carried out to support successful implementation of cluster strategies and action plan. The stage includes a wide range of technical activities, including provision of support for preparation of financial proposals, facilitation of meetings</p>	<p><b>Stage 424 (12 months)</b></p>	<p><b>Framework Strengthened</b> In Stage 4, framework activities are focused particularly on providing implementation support for programs of particular importance to competitiveness across sub sectors, such as: policy and advocacy, standards and certification, competitiveness awareness, training and workforce development, research and development. Stage 4 requires the provision of support for a wide range of defined private-public partnerships.</p>
<p><b>Clusters Sustained</b> Cluster sustainability is directly related to the success of activities undertaken within the Competitiveness Framework as outlined to the right. If and as competitiveness and cluster concepts become clear and well accepted, the number of clusters will grow even without direct involvement of SCOPE; expanded media coverage will support continued emergence of clusters as a vehicle for competitiveness.</p>	<p><b>Stage 525 (Ongoing)</b></p>	<p><b>Framework Sustained</b> Each Strategic Development Program or Industry Development Support Program put into place by a sub sector association contains a sustainability plan and outlines the association's ongoing roles in support of cluster operation. Most programs have a three-year timeframe; SCOPE continues to work as an advisor to implementing organizations within the framework of such plans.</p>

24 Average time for completion of Stages 1-4 is 24 months.

25 Stage 5 represents a level at which programs and activities are ongoing, with competitiveness framework and focus well established.

## SECTION II

### PROGRESS ON INTERMEDIATE RESULTS: 1<sup>st</sup> QUARTER 2005

#### AIR 1: Private Sector Competitiveness Increased

During the quarter, SCOPE facilitated cluster development and worked with business leaders to identify cluster opportunities, set specific market targets, define business strategies, and expand clusters to include supporting organizations, government agencies, and suppliers.

#### KRA 1: Clusters Developed and Supported

*Strategy: Support the continued development and monitoring of clusters, national business plans and cluster action plans to provide the basis for sub sector transformation and required private-public partnerships*

#### Key Activities

##### A. Subsector Transformation

SCOPE continued to take sub sectors through the five stages of subsector transformation during the first quarter of Year 2 implementation. The table below illustrates progress made during the quarter for each target sub sector.

**Table 3: Subsector Transformation**

Performance by Subsector	Stage 1 Subsector positions defined	Stage 2 Business Plans developed	Stage 3 Cluster action plans developed	Stage 4 Cluster Action Plans Implemented	Stage 5 Clusters Sustained	Target for 9/30/05
Floriculture						Complete Stage 4
Fish						Begin Stage 4
Coffee						Begin Stage 4
Cotton						Begin Stage 4
Maize						Begin Stage 4
Dairy						Complete Stage 3
Tourism						Complete Stage 3
Oil Seeds						Complete Stage 3

\*Note: Orange Shaded area = Year 1 progress. The blue shows progress made during

the quarter

## 1) Floriculture

As indicated in Table 3 above, floriculture is currently working on aspects of Stages 3 and 4 at the same time. Floriculture planners identified the range of private and public sector actors that they would want to have in their cluster and outlined six (6) areas for private-public partnership that would be needed to drive implementation of the floriculture national business plan. Meetings were held with various entities within the defined private-public partnership areas during the quarter. While it was initially thought that this approach, which would consist of a number of smaller clusters rather than creation of a larger cluster, might work for floriculture given the homogeneity of the sub sector, experience suggests that while some things have moved forward, others have not. In order to bring more attention to the work of the sub sector and to heighten awareness of its activities and its requirements, it is necessary to form a larger cluster and let this cluster determine its requirements for smaller, breakout units. This will take place in the second quarter. With support from SCOPE, this sub sector has leveraged the promise of resources amounting to USD 1.2 million to support the improvement of the cold storage facility at Entebbe. These funds are in the process of being utilized by the subsector. During the first quarter, efforts to facilitate the privatization of the cold storage facility continued, and SCOPE developed a full implementation and monitoring plan to support implementation of floriculture business plan components.

### Cut Flower Export Revenue up by 23%

The launch of Uganda's floriculture strategy has given the industry renewed impetus and focus. In 2003 Uganda exported 5,400 metric tonnes of flowers. In 2004, exports increased to 6,300 tonnes, 17% above 2003 and 8.6% ahead of the business plan target of 5,800 tonnes. Rosebud, one of the flower exporters increased its export volume from 1,000 tonnes in 2003 to 1,300 tonnes in 2004, a 30% increase. Revenue from Uganda's flower exports increased from US\$26 million in 2003 to US\$32 million last year. This represents a 23% increase. The industry continues to focus on achieving the export volumes set out in the business plan.

## 2) Coffee

Coffee activity remains in Stage 2, with work continuing on business plan strategy. Activities for the quarter included analyzing the production survey carried out in the previous quarter and carrying out a survey of members and exporters on behalf of the Uganda Coffee Trade Federation. The results of the two surveys provide important input to the formulation of business plan strategies. The target is to complete the national coffee business plan by the end of March. Also to be finalized during the same time frame is the new Strategic Development Program for the UCTF. New directions are likely to include development of a sustainable production program geared at supporting the emergence of new forms of producer organization, introduction of a quality standards and certification activity, and development of an industry association that encompasses all aspects of the private sector active in coffee

– farmers, traders, exporters, roasters.

### **3) Fisheries**

The fisheries sub sector private sector working group is working to refine its business plan strategies. Discussions during the quarter focused on determining primary strategic directions for the sub sector. Major attention focused on developing strategies for protection of fish supplies, maximizing processing capacity, increasing use of aquaculture and exploring markets for value-added products. Also during the quarter, SCOPE and the private sector working group began development of an industry response to the proposed Fisheries Authority Bill. SCOPE also provided support to one of the group members with introduction of commodity branding and labeling initiatives. The working group hopes to complete its business plan by the end of the second quarter.

### **4) Cotton**

The private sector working group identified market opportunities and set market targets for cotton production through 2010. These targets, together with proposed strategies for revitalizing Uganda's cotton industry, were presented to cotton cluster stakeholders, including cotton farmers, ginneries and exporters, bankers, transporters and input suppliers at a session attended by Frank Young (Deputy Assistant Administrator/USAID Africa Bureau). These strategies will be incorporated in a business plan which reflects the importance of building a cotton production capacity capable of supporting industrialization activities in such areas as spinning, oil production, and animal feed manufacture. To begin the move in this direction, the cotton cluster seeks to achieve production volumes of 700,000 bales by 2010, from the current 160,000 bales. Other strategies will focus on investing in sustainable approaches to production and increasing the technical capacity of both farmers and ginneries.

### **5) Dairy**

As part of Stage 2 activities, members of the dairy caucus identified champions, participated in strategic surveys of industry capacity, and contributed their ideas to creation of a new vision for the future of the industry. Discussions during the quarter focused on the policy, regulatory, and institutional framework; quality issues re milk handling; and divestiture of the Dairy Corporation Limited (DCL). Issues regarding pasture land and land for factory expansion were also identified. SCOPE is working with the Uganda Dairy Processors' Association (UDPA) to formulate strategies for expanding the domestic market for value-added products and for pursuing expansion of regional exports. Other strategies will revolve around finding solutions to the milk supply bottlenecks which now constrain production.

### **6) Grains**

The private sector grains working group made a major stride forward in the quarter, with recognition that, in order to address the constraints to export expansion, it would

be necessary to form an industry association representing all actors in grain production and trade – and the entire range of grains produced and traded. SCOPE provided support during the quarter to the association formation process. The association, to be known as the Uganda Grain Association, will emphasize quality and standards enforcement and introduce a code of practice for the grain industry. In the second quarter, SCOPE will begin work with the new association on developing the programs and functions that will be needed to support implementation of the industry strategy. Initial conversations with potential donor for provision of support to the new association have been promising.

## **7) Tourism**

Implementation of tourism sub sector activities began in earnest during the quarter. Both group and individual meetings were held. A tourism working group consisting of public and private sector actors and representatives of all 10 active associations was formed and met several times during the quarter to identify initial issues and clarify and agree on certain key concepts (e.g. the definition of a tourist). At the final meeting of the quarter, held just before December holidays, the group determined to appoint a private sector “core think tank” to come up with initial aspects of strategy and plan for presentation to the rest of the group. This activity will commence in the second quarter.

## **8) Oil Seeds**

Work in the oilseeds sub sector, which moved slowly during the initial months of SCOPE implementation in the wake of uncertainties raised by the advent of BIDCO operations, gained momentum during the quarter. Background market research in oilseeds carried out by SCOPE to support identification of competitiveness potential showed clearly that a viable oilseeds activity would have to take a diversified product and market approach – and would have to be undertaken using an approach which would ensure production of sufficient volumes to support export activities. During the quarter therefore, SCOPE began work with Mukwano Industries on a strategy for oilseeds development which will build on activities already put into place by Mukwano, with support from APEP. In the second quarter, SCOPE will work with APEP and Mukwano to refine the extension model and with Mukwano to develop the sustainability strategy for the model. SCOPE will package the prospectus for the entire project, which will eventually cover 13 districts located in heretofore underdeveloped northern and eastern areas.

## **B. Support Activities**

A range of support activity is carried out under AIR 1 to support implementation of sub sector transformation efforts. Some of the major support activity areas are mentioned briefly below:

### **1) Definition of Market and Product Possibilities**

Achievement of increases in the volumes and values of commodities in the target

subsectors calls for conducting of a market and product surveys to establish potential for competition in existing and new markets. Such surveys will be undertaken for all commodity sub sectors during subsequent quarters, for example to determine quality standards required by each market and to identify potential for value-addition. During the quarter, SCOPE prepared a market survey activity which is designed to support expansion of the floriculture industry.

## **2) Analysis of Coffee Production Capacity and Mapping Survey**

Findings of the coffee production capacity and mapping survey were presented to the coffee cluster. The survey showed clearly that the majority of coffee farmers are willing to increase production if they can find ways to address five issues: coffee pests and diseases, lack of quality inputs, lack of planting materials, lack of land for expansion and the price paid for their coffee. The survey, which was supported by SCOPE's CIF, was carried out after the private sector working group determined that major constraints to sustainable competitiveness in the coffee subsector are supply-sided.

## **3) Work with other SO7 Activities**

During the quarter, SCOPE continued its collaboration with APEP and PRIME/West. APEP provided support to the coffee survey activity by having a number of its extension assistants administer the survey in areas not covered by the contracted SCOPE activity. In addition, SCOPE and APEP continue to collaborate on formation of effective extension and producer organization strategies to support revitalization of the coffee and cotton sectors. During the quarter, PRIME supported SCOPE activities by sponsoring a number of business people and district leaders to attend the competitiveness awareness workshop held in Mbarara.

### **KRA 1 Benchmarks:**

Benchmark 1.1: 8 cluster business plans developed by 9/30/05

Benchmark 1.2: 6 cluster action plans in place by 9/30/05

Benchmark 1.3: Upgraded cluster monitoring system implemented by 12/30/04

Benchmark 1.4: \$75,000 in CIF funds committed in support of cluster-defined initiatives by  
9/30/05

## Quarterly Performance Overview for AIR1 and Tasks for Next Quarter

Progress in all of the benchmarks is on target. The cluster monitoring system is in place and active for floriculture. CIF funds will be committed in the following quarters as more business and action plans are developed. Activities during the second quarter will include;

- ◆ Developing 3 business plans
- ◆ Launching 2 business plans
- ◆ Launching the formal floriculture cluster
- ◆ Putting 3 action plans in place
- ◆ Establishing 3 monitoring systems
- ◆ Committing at least \$ 25,000 in support of cluster-defined initiatives

### AIR 2: Private/Public Competitiveness Dialogue Supported

AIR 2 focuses on strengthening various aspects of the competitiveness framework that must be in place to ensure sustainability of competitiveness efforts and identifying and addressing policy, legal, and regulatory issues that impact competitiveness. Efforts during the quarter concentrated, to a significant extent, on SCOPE work carried out with the secretariat of the Medium Term Competitiveness Strategy to support revision of the strategy document and on efforts carried out with sub sector associations and business leaders to address policy, legal, and regulatory constraints. Progress made under AIR 2 is described below by KRA.

#### KRA 2: Competitiveness Framework Strengthened

*Strategy: Facilitate development of roles for strategic partner organizations within the competitiveness framework and cluster activities and provide direct technical assistance to support their ability to carry out these roles effectively*

Subsector transformation activities (AIR 1) are complemented by changes in the competitiveness framework (AIR 2). This quarterly report introduces a table that reflects progress toward building a strengthened and sustainable competitiveness framework. (See Table 4 on the following page.)

Under this KRA, SCOPE provides technical assistance support to the Medium-Term Competitiveness Strategy (MTCS) as the focal point for competitiveness dialogue within the context of the Poverty Eradication Action Plan (PEAP), the Private Sector Foundation Uganda (PSFU), as the focal point for coordinating private sector economic development concerns and requirements, and the associations representing SCOPE's target sub sectors (e.g., the Uganda Flower Exporters Association (UFEA), the Uganda Dairy Processors Association (UDPA), the Uganda Coffee Trade Federation (UCTF) as the organizations best positioned to develop and provide the member and industry-specific services needed to support cluster initiatives.



## Key Activities

Major SCOPE activities carried out under this KRA during the quarter are highlighted below.

### A. MTCS Support

During the quarter, SCOPE provided technical support to the MTCS with preparation of the revised Medium Term Competitiveness Strategy (2005 – 2010). SCOPE extended the services of SCOPE staff and On the Frontier (OTF) group to work with the MTCS to organize competitiveness surveys and seminars through which relevant private and public sector actors were able to contribute meaningfully to the revision of Uganda's competitiveness framework. Work with MTCS will continue throughout the subsequent quarters.

**Table 4: Competitiveness Framework**

Performance by Framework Component	Stage 1 Framework Assessed	Stage 2 Framework Strategy Developed	Stage 3 Capacities Expanded	Stage 4 Framework Strengthened	Stage 5 Framework Sustained
Floriculture					
Fish					
Coffee					
Cotton					
Maize					
Dairy					
Tourism					
Oil Seeds					
MTCS					
PSFU					

\*Note: Orange Shaded area = Year 1 progress. The blue shows progress made during the quarter

## **B. PSFU Support**

SCOPE's work with the Private Sector Foundation Uganda (PSFU) slowed down during the quarter as the organization went through a shift in its top management which made it impossible for SCOPE to move forward to finalize the Memorandum of Cooperation. SCOPE and PSFU staff continued to meet during the quarter, and SCOPE encouraged and provided for PSFU involvement in all Competitiveness Awareness Month activities. With the appointment of a new Executive Director toward the end of the quarter, the PSFU began to move toward getting itself on a firmer footing for moving forward with initiatives outlined in the memorandum. Getting the SCOPE/PSFU relationship on a firm footing will be a priority for the first months of 2005.

## **C. Subsector Association Support**

Subsector associations have critical roles to play in terms of driving sub sector competitiveness. SCOPE's activities are aimed at assisting such associations to identify and develop their roles and programs in light of sub sector development strategies and business plans and supporting their ability to launch and implement appropriate support programs. Activities for the quarter centered on efforts to support development of Strategic Development Programs for the Uganda Coffee Trade Federation (UCTF) and the Uganda Dairy Processors Association (UDPA).

SCOPE also facilitated and provided secretariat services to support formation of a new Uganda Grain Association. Additional support was provided to the Uganda Fish Processors and Exporters Association (UFPEA) with preparation of a policy platform and to the Uganda Flower Exporters Association (UFEA) with preparation of a plan to develop standardized packaging for the industry. Initial discussions were held with all ten associations representing the tourism industry with regard to the types of program and service support they feel that they should provide or could provide in support of a tourism industry expansion plan.

## **KRA 2 Benchmarks**

Benchmark 2.1:	MTCS competitiveness indicators revised to better reflect the GCI context by 9/30/05
Benchmark 2.2:	6 subsector Industry Development Support Programs (IDSP) developed by 9/30/05

## **KRA 3: Policy, Legal and Regulatory Issues Addressed**

*Strategy: Identify policy, legal, and regulatory (PLR) issues that constrain achievement of cluster plans and define and implement targeted private-private and private-public partnerships to address and alleviate such issues*

A major focus of SCOPE's policy, legal, and regulatory activities is the provision of support to organizations and private-public partnerships that will develop and implement action plans in support of cluster initiatives. SCOPE supports the ability of cluster business leaders and their associations to identify and address PLR issues through private-public partnerships and to expand capacity to carry out effective advocacy on an ongoing and sustainable basis.

**A Handy Guide to Differentiating Policy, Legal, and Regulatory Issues**

**Policy Issues** – Occur at various levels, e.g., national, institutional, organizational; may be written or unwritten; “hard” issues that require changes in legal framework (however may not constrain immediate action)

**Legal Issues** – Arise from interpretation and application of policy through laws and regulations; may be real but are often perceived; sometimes solvable through dialogue

**Regulatory Issues** – Tend to flow from inconsistencies in arrangements for institutional oversight of laws and policies; “soft” issues, many of which can be addressed through partnership mechanisms and dialogue

## **Key Activities**

### **A. Facilitation of Action on Policy, Legal, and Regulatory Issues**

By the end of the first year, SCOPE had identified 34 PLR issues affecting target subsectors. (See Annex B). During year 1, SCOPE observed that while some constraints to competitiveness are related to policy (hard issues), most of those that immediately affect businesses are procedural and administrative (soft issues) related to the ways in which institutions within the business environment conduct their activities and/or apply laws. During the quarter, a number of these PLR issues were addressed with success. For example, one of the cotton ginners working with facilitation support from SCOPE received US\$ 80 million in VAT refund arrears during the quarter.

### **B. Sub Sector Advocacy Mechanisms**

SCOPE assists associations participating in cluster activities to work with their members to identify and implement policy platforms and advocacy programs. These are necessary to track legislative developments on issues, interact in key forums, negotiate, and report back on progress. Developing capacity to undertake such activities enhances association ability to carry out these activities on an ongoing basis and without support from SCOPE. During the quarter, SCOPE continued to work with UFEA on development of an association advocacy program. UFEA has already begun to pursue a PLR agenda on behalf of its members with the Uganda Revenue Authority (URA), the Uganda Investment Authority (UIA), and the Ministry of Finance Planning and Economic Development (MoFPED).

**Benchmark 3.1:** 6 private-public partnerships to address specific and general issues established and in operation by 6/30/05

Benchmark 3.2: 5 issues papers developed in support of cluster action plans by 9/30/05

Benchmark 3.3: 6 association advocacy programs developed in support of cluster operations by 9/30/05

### **Quarterly Performance Overview for AIR 2 and Tasks for Next Quarter**

Progress made toward achievement of AIR 2 benchmarks remains largely on target. The MTCS revision process is proceeding and SCOPE continues to play a role in the process. SCOPE input has already made a major impact in terms of the directions the revision is taking, and SCOPE is hopeful that, with its support, MTCS indicators will be more closely linked to the GCR. Six industry support programs are in various stages of preparation.

The number and range of private-public partnerships in place suggests that more work needs to be done to identify and define the types of partnership which exist, and this will be tackled in the next quarter. New issues papers are being developed from work being done with fisheries, dairy, and cotton. Achievement of the advocacy programs benchmark is actually incorporated within the completion of Industry Development Support Programs. Projected activities for the next quarter include the following:

- ◆ Provide support to the preparation of the revised MTCS framework 2005 – 2010
- ◆ Draft and implement program of support to Makerere Institute of Social Research (MISR) for implementation of the Executive Opinion Survey
- ◆ Integrate work of MISR and MTCS around competitiveness indicators for Uganda
- ◆ Finalize IDSPs for UFEA, UCTF and UDPA
- ◆ Commence development of IDSP for UFPEA
- ◆ Facilitate preparation and presentation of issues papers in at least grains and fisheries

### **AIR 3: Competitiveness Understood and Promoted**

SCOPE's goal is to broaden awareness and discussion of competitiveness within targeted publics, including the private sector, public sector, media, general public and academia. Activities and progress made under AIR 3 is described by KRA in the sections below.

#### **KRA 4: Increased Dissemination of Competitiveness Information**

*Strategy: Creatively engage target audiences in competitiveness discussion by increasing exposure to competitiveness communication activities and expanding outreach to include rural audiences.*

#### **KRA 4 Activities**

## **A. Competitiveness newsletter and website**

Both the website and the quarterly competitiveness newsletter run under the name ***competeUganda!*** During the quarter, SCOPE started the publication and dissemination of the quarterly newsletter, whose maiden publication was launched on 26<sup>th</sup> October 2004. Subsequent publications for the year will be disseminated in January, April, and July 2005. Work on the development of the website was in advanced stages by the close of the quarter, with accessibility expected during the second quarter. The newsletter and website provide the vehicles for communications cooperation between SCOPE and strategic partners like PSFU, MTCS, and sub sector associations. The newsletter and website will also track the progress of Uganda's competitiveness initiatives. Target audiences for the newsletter and website include the media, the public sector, the general public and the private sector in general.

## **B. Competitiveness Awareness Month**

SCOPE, in partnership with the MTCS, worked with the On the Frontier (OTF) to launch and implement Competitiveness Awareness Month, which ran from 26<sup>th</sup> October to 26<sup>th</sup> November 2004. Activities included:

- ◆ Launching Event -- attended by the EU, MTCS and the media.
- ◆ Mbarara Competitiveness Seminar and Survey --73 participants from both private and public sector
- ◆ Kampala Competitiveness Seminar and Survey -- 63 participants
- ◆ Lira Competitiveness Seminar and Survey -- 58 participants.
- ◆ "From Bananas to Business" Seminar – 776 participants, including a cross section of university students, researchers, government officials, the private sector, university lecturers and the general public
- ◆ Competitiveness Awareness Survey Results Workshop -- 82 participants.
- ◆ Budgeting for Competitiveness Seminar – 32 specially selected private and public sector leaders

All of the month's seminars, workshops and activities were carried out with the MTCS in support of efforts to gain maximum input and participation in efforts to revise the competitiveness framework.

## **C. Communications Strategy**

SCOPE works with the media through a media cluster and with strategic partner associations to initiate and manage communication activities in support of their organizations. SCOPE supports the ability of such associations to carry out strategic assessments of their communications needs and provides technical support with, e.g., design and implementation of communication programs, conduct of media relations, and preparation of newsletters, brochures, and supplements. During the quarter, assessments were carried out of the Uganda Flowers Exporters Association (UFEA) and the Uganda Coffee Trade Federation (UCTF).

## **D. Links to Rural Audiences**

During the quarter, SCOPE identified and started preliminary work with the UN-sponsored, FIT-SEMA as an established link to rural audiences. Work with FIT-SEMA will continue through the year. There will be collaboration on competitiveness media activities like seminars, workshops and talk shows within the rural community through the community radio. These will target farmers, traders and SMEs. During the subsequent quarters, SCOPE will translate and distribute parts of the newsletter to rural audiences.

### **E. Student Organizations**

During the quarter, SCOPE began the process of initiating discussions with two selected tertiary institutions, i.e. Makerere (including Makerere University Business School (MUBS) and Nkozi Universities, as a first step towards engaging these institutions and their students in competitiveness discussion and identifying potential for establishing University Competitiveness Clubs. Because of the holidays and examination schedules, activities with regard to club formation will get underway in the second quarter. Meanwhile, the universities and their students provided support to implementation of the “From Bananas to Business” Seminar.

### **F. Media Cluster**

SCOPE continued to work with and through the SCOPE media cluster during the quarter. The media cluster played an instrumental role in the success of Competitiveness Awareness Month.

### **KRA 4 Benchmarks:**

Benchmark 4.1:	2 association communications programs underway by 9/30/05
Benchmark 4.2:	10 media organizations regularly contributing to competitiveness dialogue as evidence through coverage levels
Benchmark 4.3:	2 regional dialogue activities initiated by 9/30/05
Benchmark 4.4:	2 university competitiveness programs under active implementation by 9/30/05

### **KRA 5: Ability to Take Advantage of Trade Positions Increased**

*Strategy: Clarify trade position potential and develop mechanisms such as brand support for maximizing that potential*

Private businesses are largely uninformed about the trade agreements to which Uganda is signatory and unaware of opportunities and ways to exploit such

agreements (Uganda participates in WTO, AGOA, COMESA, EAC and EU-ACP). Activities under this KRA are geared toward demystifying trade agreements, highlighting opportunities and ways to take advantage of them, including the use of branding to differentiate Ugandan products.

## **Key Activities**

### **A. Trade Benchmarking Report**

A benchmarking exercise to clarify Uganda's trade position potential with regards to the trade agreements to which Uganda is a signatory, was commenced on during the quarter by a sub contractor; International Law Institute (ILI), with completion slated for the second quarter. This strategic information on trade positioning and potential will be made accessible to both the private and public sectors. Opportunity profiles for the sub sectors will be distributed and monitoring and reporting on Uganda's trade activities and positioning carried out.

### **B. Branding**

SCOPE identified the need to differentiate Uganda from other African countries and worldwide suppliers and assist target markets to exercise a preference for buying from Uganda. During the first quarter of 2005, SCOPE began work with the AGOA office on a campaign to re-brand Uganda; this work will continue in the second quarter, but may be done through the University Competitiveness Clubs. The slogans and logos produced by the national branding exercise will be used to introduce markets to the 'new' Uganda and leverage the ability of Ugandan commodity brands to make a positive entry into the same markets.

Benchmark 5.1:	1 national branding activity underway by 9/30/05
Benchmark 5.2:	Uganda trade agreement benchmarking report prepared and distributed by 2/28/05
Benchmark 5.3:	4 sub sector trade agreement opportunity profiles prepared and distributed by 9/30/05
Benchmark 5.4:	2 commodity branding activities identified and supported by 9/30/05

### **Quarterly Performance Overview for AIR 3 and Tasks for Next Quarter**

Competitiveness Awareness Month succeeded in raising the profile of competitiveness throughout both the public and private sectors (see report on the activities of the Month in Annex A). In particular, the findings of the survey, which

highlighted the fact, among others, that Ugandans do not understand the determinants of competitiveness, was instructive for the leaders who attended the results seminars. The findings of the survey will be highlighted in the January edition of **competeUganda!** Benchmark 4.2 was changed from focusing on the number of organizations involved in newsletter and website activities to concentrate on developing strong relationships between SCOPE and 10 media organizations. Arrangements for measuring and monitoring will be reported on during the second quarters. Initial receptivity toward the University Competitiveness Clubs is outstanding, and the Trade Benchmarking Report is in draft format, although delayed by subcontracting issues. Tasks for the next quarter will focus on, among others:

- ◆ Developing communication plans for UCTF and UFEA
- ◆ Identifying 10 target media organizations and plans for engaging them
- ◆ Initiating and sustaining regional dialogue
- ◆ Introducing competitiveness programs in Makerere University Business School (MUBS) and Nkozi Universities
- ◆ Initiating 1 national branding activity
- ◆ Completing and disseminating the trade benchmarking report



## SECTION III

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### PROGRAM MANAGEMENT

SCOPE's program management and operations activities functioned with extreme efficiency during Year 1. This efficiency continued throughout the first quarter of Year 2. The quarterly progress of SCOPE program management benchmarks is highlighted below.

#### Key Result Area 6: Operations Support Provided

*Strategy: Under the direction of the COP, and with support from the home office PMU, continue to provide seamless support to the smooth implementation of SCOPE offices and systems, including all financial and contract reporting*

#### KRA 6 Activities

The home office PMU and SCOPE office administrative and management staff continued to work together to maintain systems for contract management and to provide adequate and timely support for all SCOPE activities. Specifically the following was done during the quarter.

##### A. Contract management

- ◆ SCOPE Task order amended by USAID Uganda and obligated amount increased to US\$4,156,600
- ◆ Initial environmental examination of SCOPE activities carried out and approved by USAID Uganda
- ◆ Fixed price subcontract negotiated and executed with On the Frontier (OTF) Group - Conduct a Mental Models Survey and Competitiveness Seminars with the goal of strengthening private/public sector partnership and increasing competitiveness awareness
- ◆ Fixed price subcontract negotiated and executed with Ssemwanga Consulting - Coffee Production Mapping And Capacity Survey
- ◆ Cost Reimbursement Subcontract negotiated and executed with International Law Institute (ILI) Uganda Group - Benchmarking Uganda's ability to take advantage of Trade Agreements

##### B. Administrative Support for SCOPE activities

- Healthy, safe, efficient and professional working environment provided to SCOPE project.
- Year 2 projections made
- Home office desk audit of SCOPE operations, financial and internal control systems

Benchmark 6.1: Monthly invoices, LOE employed statements, and subcontractors  
LOE

employed statements submitted to USAID by 20<sup>th</sup> of following

month

Benchmark 6.2: VAT refund claims submitted to USAID in required format by 9/30/05

Benchmark 6.3: Property report submitted to USAID

### **Performance against Benchmarks and Tasks for the Next Quarter**

All benchmark targets were achieved for the quarter. Tasks for the next quarter will focus on completion of on going activities and continued administrative support for the smooth running of SCOPE activity.

## COMPETITIVENESS AWARENESS MONTH REPORT (OCT 26<sup>TH</sup> – NOV 26<sup>TH</sup> 2004)

### Introduction

SCOPE, Strengthening the Competitiveness of Private Enterprise, is a USAID-funded activity working to promote competitiveness in Uganda. SCOPE works within eight sub sectors – coffee, cotton, fish, dairy, grains, oil seeds, floriculture and tourism – to support private sector cluster initiative, create sustainable private-public dialogue and promote awareness of competitiveness principles in practice. SCOPE has identified competitiveness communication goals, of which increasing public awareness and dialogue on competitiveness is paramount. As such, SCOPE has created relationships with the media to sustain such dialogue within target publics and create links between competitiveness knowledge and business.

On Oct 26<sup>th</sup> 2004, SCOPE in partnership with the Medium Term Competitiveness Strategy (MTCS) launched Uganda's first Competitiveness awareness month. The objectives of the event were to launch a national competitiveness and awareness drive through the media and to bolster the private-public dialogue for competitiveness

On The Frontier (OTF) was subcontracted by Chemonics-SCOPE to provide support to the competitiveness effort in Uganda. As a spin-off of international competitiveness guru Michael Porter's Monitor Group, OTF have experience in more than 35 countries, working with developing economies in competitiveness building. SCOPE and OTF jointly undertook a series of competitiveness activities, centering around a 'Mental Model Survey' – later renamed a 'Competitiveness Survey'. The survey plots the mindset of private and public 'leaders' to gather insights into attitudes regarding competitiveness and wealth creation. In order to ground the survey and its findings in a broader context for a larger audience, the activities of the Competitiveness Month were slated to support the MTCS in its ongoing review of Uganda's competitiveness framework. Given the nature of the survey which required result tabulation in Washington, Competitiveness Month was divided into two parts, the first focusing on survey administration and an introduction to competitiveness, the second part for results presentation and discussion of competitiveness findings.

### Activities

Competitiveness Awareness Month was launched with a press conference on October 26<sup>th</sup> 2004, for a broad section of leading journalists from print and broadcast organizations. The press conference was attended by officials from MTCS, EU, SCOPE and OTF. OTF made a presentation on competitiveness and administered the competitiveness survey to the media, following a discussion of competitiveness principles. Uganda's first competitiveness newsletter, *competeUganda!* was also launched by SCOPE. A team of SCOPE and OTF staff then headed out to Mbarara, Uganda's Western commercial center, where they held a competitiveness seminar (Oct 27<sup>th</sup>) for regional 'leaders' from the private and public sector who also took the competitiveness survey. The team did the same in Kampala (Oct 28<sup>th</sup>) and Lira (Oct 29<sup>th</sup>) in Northern Uganda. Altogether, the competitiveness survey had 185 respondents from three regions of Uganda covering at least 15 districts, almost equal representative of the private and

public sectors. The results of the survey were ready by November 8<sup>th</sup> 2004.

The communication plan was to widen the competitiveness dialogue to encompass a critical target audience of academia, especially university students, who by default are the future leaders of Uganda's business and regulatory sectors. To this end, SCOPE organized the first-ever public seminar on competitiveness for over 1000 people, including students, university lecturers, researchers, private and public sector peer leaders, members of parliament, civil society and the media.

The seminar on November 24<sup>th</sup> entitled “ From Bananas to Business”, attracted 766 registered participants, largely comprised of students from two universities, Makerere University, Kyambogo University and one business school – Makerere University Business school (MUBS) as well as officials from the Ministry of Finance, Planning and Economic Development (MOFPED), President's Office, AGOA country office, various business and commodity associations and the civil society. OTF presented key survey findings and led a discussion on competitiveness mindset and wealth creation. On November 25<sup>th</sup>, the competitiveness survey results presentation and discussion was held with a smaller group of key stakeholders from the public sector directly influencing business such as authorities, trade offices and ministries, and the private sector from Uganda's productive sectors of agriculture, manufacturing, tourism and services.

## **Resources**

Resources for the above events were pulled from SCOPE/OTF in terms of personnel with some involvement of the MTCS during the seminars. SCOPE covered most of the financial cost, receiving support from PRIME West for the Mbarara conference, and MTCS for the Public Dialogue media campaign in Kampala on November 24<sup>th</sup>.

## **Competitiveness understood and promoted**

In terms of publicity and awareness, Competitiveness Awareness month made a reasonable impact estimated by the amount of media coverage received, both solicited and unsolicited. There were news articles from the initial press conference about the launch in all major newspapers, four radio stations and two television stations. Other stories discussing particular competitiveness issues featured mainly in the national daily, The New Vision's business magazine. SCOPE was invited twice to the most popular Talk Show in Uganda, ‘*Andrew Mwenda Live!*’ on 93.3 KFM to provide expert opinions on competitiveness.

The competitiveness newsletter *competeUganda!* which was published and distributed nationally by SCOPE received critical acclaim from the media and key partners such as the MTCS, Private Sector Foundation Uganda (PSFU) and various donors.

Far more important than the story count for SCOPE, were the opportunities presented for useful press interaction with the MTCS and OTF, national outreach in the regional seminars, various ad hoc opportunities to press the competitiveness agenda. For example, during the Africa Travel Association (ATA) international launch in Uganda on 26<sup>th</sup> October, media partnerships were created in three regions with possibilities for further cooperation, interaction with the academia and resources leveraged through collaboration with other organizations like TERP, MTCS, Makerere Institute of Social Research (MISR) and MUBS.

## **Private-Public Dialogue Strengthened**

Competitiveness Awareness Month was a strategic opportunity for increased effective private-public dialogue for competitiveness, especially because activities such as the Competitiveness Survey dealt directly with issues of mindset change which categorically affects dialogue between the private and public sectors for better or worse. Through the regional competitiveness seminars, the competitiveness dialogue reached a large number of champions in both sectors, providing key take-home messages about the competitiveness mindset and ‘cooperating to compete’.

Survey results focused on typical attitudes and mindset that may enhance or detract from competitiveness-building in all sectors of the economy. The public forum was a particularly important and innovative method of launching competitiveness dialogue nationally. Competitiveness Month contributed to SCOPE efforts to initiate and sustain meaningful private-public dialogue, and there was evidence of buy-in from key government-actors in the MTCS, several key Ministries such as MOFPED and Authorities, increased collaboration with business associations and an increase in requests for competitiveness-building partnerships with SCOPE from various private and public organizations.

## **Summary and Conclusions**

Competitiveness Awareness Month was successful in achieving its stated and non-stated objectives, particularly in building lasting relationships within the media, academia and the budding private-public partnerships for competitiveness. The event provided a foundation on which to develop other meaningful initiatives with target publics, thereby supporting various aspects of SCOPE’s planned level of effort throughout the activity.

## **Recommendations**

For competitiveness to be better understood and promoted, it requires sustainable awareness initiatives and innovative ways to keep competitiveness in the sphere of public dialogue, both through the media for mass communication and through effective inter-personal dialogue. SCOPE should keep the momentum achieved in promoting awareness of competitiveness with various follow-on activities as defined in the work plan of 2005.

**List of Policy, Legal, Regulatory and Institutional Issues**

<b>Sub Sector</b>	<b>Business Environment Issues</b>	<b>Remarks</b>
Cross-Cutting	<ol style="list-style-type: none"> <li>1.Strategic export concept inadequately defined to guide decision-making</li> <li>2.Separation of agriculture from competitiveness framework, into PMA, weakens the MAAIF as major line ministry and agric sector focal point</li> <li>3.Agricultural financing policies and facilities are inadequate to support industry requirements</li> <li>4.Investment policies and programs lack targeted, sub sector focus</li> <li>5.Sub sector policy frameworks are either non-existent, or where in place, fail to provide adequate support for effective private-public partnership</li> <li>6.Failure to clearly spell out authorities and responsibilities among various public sector agencies with regard to sub sector requirements</li> <li>7.Resources for research and extension are public sector-driven and programmed to put existing facilities to work rather than to support industry growth</li> </ol>	In a competitive economy, the business environment is responsive to private sector initiative, and public and private sector actors work together to support the ability of the private sector to generate wealth and create jobs. Business environment issues are policy, legal, regulatory, and institutional constraints to effective private/public partnerships.
Floriculture	<ol style="list-style-type: none"> <li>1.Incentives package inadequate to support industry growth targets</li> <li>2.Inconsistent application of VAT Statute and Tax Policy resulting in un favorable tax regime</li> <li>3.Lack of infrastructure support policy for new investment areas</li> <li>4.Need to change the unwritten “policy” that support for foreign investors translates into lack of support for local investors</li> </ol>	The floriculture business plan identifies six areas of private-public partnership that will address issues highlighted here. Work on the UIA and URA partnership is underway.
Coffee	<ol style="list-style-type: none"> <li>1. VAT and Duty Drawback “receivables” carried by coffee exporters are compounding hardships faced by farmers</li> <li>2. Involvement of UCDA in replanting and distribution, both functions better handled by the private sector, has created</li> </ol>	The UCTF is reexamining its roles in light of strategic directions for the industry and is investigating potential

Sub Sector	Business Environment Issues	Remarks
	<p>major systemic inefficiencies</p> <p>3. Current division of roles between UCDA and private sector (e.g., UCTF) creates distortions in sub sector management and development</p> <p>4. Inadequate producer organization support policy</p>	for the association to take on more industry support functions
Cotton	<p>1.VAT and Duty Drawback receivables carried by cotton ginner/exporters are compounding hardships faced by farmers</p> <p>2.Inadequate producer organization support policy</p> <p>3.Lack of favorable tax regime, e.g., providing for tax-free inputs such as spare parts for ginneries</p> <p>4.Need for investment policy and program focused specifically on adding value to installed capacity</p> <p>5.Unclear roles between the CDO and UGCEA result in inefficiencies and distortions within the business value chain.</p>	UGCEA is not perceived as an entity separate from the CDO, and, therefore, is not an effective voice for private sector concerns. Addressing issues effectively will require de-linking CDO and UGCEA.
Dairy	<p>1. Delayed privatization of the Uganda Dairy Corporation affecting growth in the industry.</p> <p>2. Diversion of Extension Services into NAADS has not supported sub- sector requirements.</p> <p>3. Product development facilities inadequate to support expanded commercialization</p> <p>4. Import duty and VAT charged on key inputs making them costly and out of reach, e.g. cattle feeds</p> <p>5. Land policy implemented selectively and often to the detriment of investors in the sub sector, e.g., the case of Paramount Dairies</p>	Demand for milk products continues to grow in Kampala and the region; the supply of milk, however, is inadequate, both in terms of volume and quality. The Uganda Dairy Processors Association must find a way to address this situation within the context of the organization's emerging strategic plan.
Fisheries	<p>1. The proposed Fisheries Authority lacks private sector focus and is likely to have the same weaknesses as the CDO and UCDA.</p> <p>2. Unfavorable tax regime (<i>taxes and</i></p>	Issues facing the capture fisheries and aquaculture industries have different aspects: the Uganda Fish Processors and Exporters

Sub Sector	Business Environment Issues	Remarks
	<p><i>duty are levied on inputs used in the production of fish for export-- e.g. import duty (7%), VAT (17% ), excise duty (10% ), withholding tax (6% ), and import license commission (2% ) are charged on solid board boxes used for export packaging. Charges total 42% and equal 50% of value of given consignment (e.g., a consignment that costs 69,472,471/= will attract a total of 31,755,169/= in taxes). No consistency in application of Excise duty, e.g., excise duty assessed on imported boxes for which there is no local manufacturer.)</i></p> <ol style="list-style-type: none"> <li>3. Duty drawback system does not allow for partial refund of import duty</li> <li>4. Failure to control leakage of Uganda fisheries resources into Kenya</li> <li>5. Lack of fisheries-appropriate investment package</li> </ol>	<p>Association (UFPEA), the Uganda Commercial Fish Farmers Association (UCFFA), and the Uganda Fish Farmers Association (UFFA) must find ways to merge the interests of various constituencies in order to come up with an integrated plan.</p>
Grains(Maize and Beans)	<ol style="list-style-type: none"> <li>1. Lack of post liberalization regulation and policy has led to erratic term of trade for producers</li> <li>2. Poor rural physical and financial infrastructure.</li> <li>3. Lack of mechanisms for enforcement of quality standards</li> <li>4. Lack of financial package to support production and marketing of grain.</li> </ol>	<p>Industry aware of need to develop and maintain a regional trading system based on jointly accepted quality system; needs a strong association support program.</p>

**N. Support to the Government of Guatemala for Addressing Business and Trade Constraints and Opportunities and Rural Development, TO #807**

***Start Date: August 15, 2004***

***Completion Date: December 31, 2004***

***Amount of Delivery Order: \$339,664***



## ***Background***

On August 11, 2004, under the Umbrella GBTI IQC Contract, USAID awarded a sole-source task order contract to Chemonics for the *Support to the Government of Guatemala for Addressing Business and Trade Constraints and Opportunities and Rural Development* project. As stated in the task order contract, the overall objective of the project is to “support the new Government of Guatemala’s Planning Ministry (SEGEPLAN) and the Ministry of Agriculture (MAGA) in the production of a series of discrete, short-term deliverables that will help advance the general business and investment climate of Guatemala.”

The period of performance for this task order is August 11, 2004 – February 28, 2005.

## ***Quarterly Overview***

Following is an overview of the key activities that took place during the reporting period:

- A no-cost extension was issued to the task order adding 60 days. The current task order completion date is February 28, 2005.
- Through a fixed price subcontract, the *Instituto de Agricultura, Recursos Naturales y Ambiente* (IARNA) from *La Universidad Rafael Landivar* (URL) prepared a socioeconomic evaluation of recently titled communities (Task 2b.).
- At the request of the Presidential Commissioner for Competitiveness, Chemonics employee, Dr. James Riordan, delivered a presentation about rural competitiveness at a meeting of the “*Grupos Gestores*” (Task 3b.).
- Provided high-level technical assistance to the Planning Ministry (SEGEPLAN) in support of its rural development initiatives (Task 3b.).
- Carried out a detailed analysis of the *Fondo para la Producción de Semilla, Conservación de Germoplasma, y Fortalecimiento Institucional* (FONSEMILLA). The results of the analysis were presented at a seminar (Task 3c.).
- Carried out a detailed analysis of the *Incidencia de las Iglesias en los Procesos de Cambio de las Sociedades Rurales en Guatemala*. The results of the analysis were presented at a seminar (Task 3c.).
- Seminars and workshops were delivered on various topics relevant to the rural development of Guatemala: New Development Solutions gave a presentation to a group from Agexpront titled “*El Mercado y su Oferta*”; IARNA presented the results for their socioeconomic evaluation of recently titled communities; and training was provided to the MAGA by Ricardo Santa Cruz and Associates (Task 3d.)

Below we further highlight the main activities which took place during the reporting period from October 1, 2004 to December 31, 2004. The technical assistance provided under this task order is being coordinated by the in-country project director, Ricardo Frohmader, with assistance from Guatemala-based staff, Raam Thakrar and Evelyn Escobar. The Chemonics home office based project management unit consists of Christian Kolar, director, Sandra Rosenbaum, manager, and Tawni Stetson, associate.

## ***Technical Activities***

### ***Economic Dynamism Maps (Task 1)***

Work continued on the development of the economic dynamism maps by the Institute of Social Economic Investigation (IDIES) of the University of Rafael Landivar. Through a fixed price subcontract, IDEA is providing support to the Guatemala Planning Ministry in the development of a geo-referenced database containing data on poverty, inequality, and economic dynamism at the municipal level and provide parameters for decisions on policies and social investments. The in-country project director, Ricardo Frohmader, is working closely with IDIES to provide guidance and technical input as they finalize their deliverable.

The final deliverable is expected to be presented on February 14.

### ***Support to the Land Dialogue Process (Task 2a.)***

Two consultants were contracted to help develop a methodology to encourage and facilitate land dialogue among opposing groups. The project encountered several difficulties with this assignment – namely that the two consultants did not perform. Based on their non-performance and unresponsiveness to the project's efforts to contact them, both contracts were terminated. This was done in close collaboration with USAID and the primary counterpart, the War-Torn Societies Project.

The project provided assistance to monitor and compile articles in the media regarding land dialogue and rural development in general. The articles covered the following topics: policy, migration, protests, displacement, and international support.

In early February 2005, the task order will complete an assignment in support of the War-Torn Societies Project. The objective of the assignment is to support the development of rural development policies by analyzing the diverse positions affecting rural development in Guatemala.

### ***Socioeconomic Evaluation of Recently Titled Communities (Task 2b.)***

Through a fixed price subcontract with the *Instituto de Agricultura, Recursos Naturales y Ambiente (IARNA)* of the *Universidad Rafael Landivar*, the task order performed an analysis of the current socioeconomic situation in the communities that are benefiting from the ongoing land-titling project, as well as current land use practices.

The final report for this activity was submitted to USAID in November, following the presentation of findings.

Of particular note from the report and presentation was the comment that though land-titling can be of real benefit to country-dwellers, other affecting factors also play a significant role – whether access to credit or proximity to transportation facilities. That being said, the land-titling process has the greatest benefit in areas where rural farmers have access to market.

Providing Support to CONTIERRA (Task 2c.)

In October, the task order team was preparing to launch a training initiative for CONTIERRA staff through the *Instituto de Transformación de Conflictos para la Construcción de la Paz en Guatemala* (INTRAPAZ), again, affiliated with the *Universidad Rafael Landívar*. The proposed training sessions involved a total of 80 class hours. Based on the extensive time commitment required for the training, CONTIERRA senior staff determined to postpone the training because they could not afford to release staff for the full duration of the training sessions.

During the next reporting period, the task order, through INTRAPAZ, will deliver modified land dispute resolution training sessions for CONTIERRA staff in Guatemala City and conflict resolution training for *Mesas Departamentales de Diálogo* in nine departments throughout Guatemala. This training will take place in January and February.

In an effort to further strengthen CONTIERRA as an institution, computer equipment is being provided through the task order. This procurement effort has taken longer than expected due to the local supplier's non-compliance with the 000 source origin geographic code (i.e. made in the U.S.A.). Based on this fact, the procurement is being handled through Chemonics' home office, utilizing U.S. suppliers. The computers are expected to arrive in Guatemala before the end of January.

Support to GOG Rural Development Policy – Seminar (Tasks 3b. and 3c.)

Following the technical assistance provided by Chemonics home office employee, Dr. James Riordan in September 2004, the Presidential Commissioner for Competitiveness, Miguel Fernandez, requested Dr. Riordan's further involvement in a later-October meeting of the "*Grupos Gestores*" held in Panajachel, Guatemala (Lago Atitlán).

Dr. Riordan delivered a presentation based on his observations and experience in rural development, employment, and local economic growth. The presentation emphasized the experience of Chemonics in USAID/Peru's Poverty Reduction Activity (PRA), where the project is effectively engaging businesses throughout the country and helping them to solve real problems and constraints. The project is successfully helping these businesses to generate employment and increase sales. The presentation at Lago Atitlán served to discuss the overall applicability of these experiences to the Guatemalan context.

Another senior-level consultant was fielded to Guatemala during the reporting period. Dr. Judith Tendler, from MIT in Cambridge, Massachusetts, traveled to Guatemala in November to meet with local representatives of the Inter-Agency Group for Rural Development (including Vice President Stein) to discuss rural development strategies. Dr. Tendler also carried out a field trip to assess projects in rural areas.

There were extensive meetings between Dr. Tendler and Government of Guatemala (GOG) officials. During her in-country travel to rural Guatemala, she attended a meeting of the *Gabinete Mobil*, a moveable cabinet session that tours rural areas and deliberates with input from local leaders. She provided the Inter-Agency Group with extensive comments on the presentations that

were made during their meeting, drawing on her long experience in Latin America. She also discussed many different aspects of the problems that are being encountered in rural Guatemala and suggested various practical and implementable solutions to bring about change.

### *Studies in Support of the Rural Development Initiatives (Task 3c.)*

During the reporting period, a local short-term consultant, Jesus Garcia-Ruiz, was contracted to carry out a study titled *Incidencia de las Iglesias en los Procesos de Cambio de las Sociedades Rurales*. This study was carried out in support of the GOG's efforts to formalize a comprehensive rural development strategy. As part of this effort, the GOG is attempting to gain a better understanding of the reality faced by the rural population. In recent years, the rural population has undergone tremendous changes. These include the introduction of new technologies; the impact of the recent civil war; the effects of remittances on the rural family; as well political, economic, social, and religious changes.

Among the little understood changes has been the massive growth of Evangelical churches throughout Guatemala - many of them of the independent Pentecostal type. Up to 30 percent of the population of Guatemala may belong to these and other protestant denominations. They have 25,000 pastors, whereas the Roman Catholic clergy is numbered at about 1,300, including nuns. Some of these churches are engaged in community outreach programs impacting education, nutrition and agriculture at the local level.

Dr Garcia believes that the Evangelical churches have become a significant mechanism for social change and for upward mobility. His report documents cases, such as the town of Almolonga, a prosperous vegetable growing town which is now more than 80 percent Evangelical.

The study will help the GOG to better grasp the impact of the Evangelical churches on the rural development and on social mobility in Guatemala.

Dr. Garcia-Ruiz presented his findings to a public audience in early December. The study has been completed and will be submitted to USAID.

A team of three consultants was contracted through the task order to carry out an evaluation of the *Fondo para la producción de Semilla, Conservación de Germoplasma y Fortalecimiento Institucional* (FONSEMILLA). The study analyzed the current level of resource utilization, as well as the financial and technical aspects of the institution. The report found that FONSEMILLA's management structure did not promote the efficient operation of the institution. It also identified significant discrepancies in the financial valuation of the institution's inventory.

Carlos Crisostomo and Roberto Velasquez presented their findings to a public audience in early December. The study has been completed and will be submitted to USAID.

### *Seminars and Workshops Carried Out by the Task Order (Task 3d.)*

Dissemination of information and important findings is a key part of this task order. In addition to the seminars and presentations already mentioned, the following information dissemination

activities took place during the reporting period:

- Agexpront Training through New Development Solutions (NDS): A representative from NDS gave a presentation to the *Agexpront Centros Contacto* franchise holders titled “*El Mercado y su Oferta*”. At the conclusion of the presentation, 35 copies of the “*Best Practices for Rural Internet Centers*” guide on CD Rom were distributed to the participants.
- Ricardo Santa Cruz and Associates provided training to key decision-makers in the Ministry of Agriculture.

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## **Dominican Republic Export Sector Analysis, TO #830**

***Start Date: September 15, 2004***

***Completion Date: July 15, 2005***

***Amount of Delivery Order: \$249,711***

The Export Sector Analysis for the Dominican Republic task order is being implemented under the GBTI IQC with a total contract ceiling of \$249,711. This sole-source task order was slated to begin on September 30, 2004 and end on April 15, 2005; a total life span of seven months and fifteen days. The acting PMU is currently overseeing a substantial project reorganization of the DR Competitiveness Initiative in the Home Office and Field Office and it has therefore not been able to fully mobilize project start-up. As a result, the project is significantly behind on the deliverables schedule outlined in the contract and has not billed the contract to date. The PMU expects to begin limited operations and billings under this new task order in early 2005 and to seek approval for a no-cost extension of three months, effectively pushing back the contract end date to July 15, 2005.

In terms of current activities, the DR TO PMU is searching for candidates to complete analyses of key sub-sectors that are exhibiting rapid export growth potential in the Dominican Republic. They have already recruited a information and communication technology specialist candidate and will continue the search for strong candidates in the medical apparatus and electronic equipment sectors.

## **II. Proposal Activity**

### **A. Proposals Won**

1. Export Sector Analysis for the Dominican Republic

### **B. Proposals Lost**

1. Georgian Railways Restructuring Assistance

## 2. Grenada Business Recovery

### **C. Proposals Pending**

#### 1. Strengthening Capacity to Implement Public Private Partnerships in Senegal

### **III. Contract Quarterly Financial Report**

This information is included in Annex A of the report.

### **IV. Technical Reports and Deliverables**

Support to President's Council, TO #804

- Staff and pay plan November 2004
- AWC Management Information System Conceptual Design
- AWC Financial Strategy
- AWC 2005 Training Activities and Budget
- AWC Metering Strategy

Support to the Government of Guatemala for Addressing Business and Trade Constraints and Opportunities and Rural Development TO #807

- Planning Rural Development in Guatemala- Learning from Others by Jahn Mellor
- Proyecto de Apoyo a la Formulacion Politicas- Guatemala/GBTI: Monitoreo de la Prensa sobre el Desarrollo Rural Julio 2004 (5)

Support to President's Council, TO #804

- Trade and Investment Dashboard- US Business Council Quarterly Update- December 2004
- Roadmap: US-Egypt Free Trade Agreement
- Report on Economic and Trade Policy Developments- Fourth Quarter 2004

## ANNEX A

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*General Business, Trade & Investment IQC  
Quarterly Financial Report*

Task Order Number/Name	Authorized Expenditures (Obligated)	Actual Expenditures Through 6/30/2004	Balance	Estimated Completion Date	Date of Completion	Balance In Days (LOE)
TO #804 Egypt Presidents' Council	\$1,352,436.00	\$ 1,318,907.43	\$33,528.57	12/31/2004	N/A	169.18
TO #811 Ukraine Land Systems Initiative	\$19,262,604.00	\$14,363,209.43	\$4,899,394.57	9/20/2005	N/A	30,076.00
TO #814 Technical Support for Procurement and Project Management and Private Sector Participation in Jordan	\$4,147,805.50	\$3,997,263.32	\$562,053.17	06/30/2005	N/A	518.00
TO #820 Bolivia Trade and Competitiveness Hub	\$6,997,251.00	\$6,007,725.46	\$989,525.54	12/31/2004	N/A	1,632.30
TO #821 Bosnia FILE	\$7,900,000.00	\$3,878,497.75	\$4,913,376.04	8/12/2006	N/A	6415.8

Task Order Number/Name	Authorized Expenditures (Obligated)	Actual Expenditures Through 6/30/2004	Balance	Estimated Completion Date	Date of Completion	Balance In Days (LOE)
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TO #822 Support to Enhance Privatization, Investment and Competitiveness in the Water Sector of the Romanian Economy	\$2,060,000.00	\$1,755,867.00	\$304,133	8/13/2006	N/A	3,787.00
TO #823 Kosovo KEK	\$1,160,376.00	\$ 1,089,510.08	\$ 70,865.95	01/30/05	N/A	105.00
TO #824 Columbia Forestry	\$14,700,000.00	\$ 5,117,190.56	\$11,224,719.70	8/10/2006	N/A	5,181.88
TO #825 Paraguay Poverty Reduction	\$2,415,000.000	\$1,436,670.98	\$1,195,170.98	8/1/2006	N/A	3,336.94
TO #826 Morroco: Assistance for Regional Investment Centers and Investment Promotion	\$2,195,463.00	\$ 1,102,067.84	\$1,093,395.16	12/31/2005	N/A	933.96
TO#827 Improving the Business and Investment Climate and Implementing Economic Reforms in Nicaragua	\$424,672.00	\$357,362.75	\$67,309.25	10/29/2004	N/A	34.06
TO#828 Uganda SCOPE	\$ 4,156,600	\$2,078,975.01	\$2,077,624.99	12/31/2006	N/A	4840.91
Task Order Number/Name	Authorized Expenditures (Obligated)	Actual Expenditures Through 6/30/2004	Balance	Estimated Completion Date	Date of Completion	Balance In Days (LOE)



TO #829 Senegal Analysis of PPP Potential	\$97,796.00	\$95,530.00	\$2,266.00	8/13/04	N/A	2.5
TO #14 Increasing the Development Impact of Economic Growth Paradigms	\$383,099.00	\$334,950.21	\$108,600.79	9/30/2004	N/A	32.58
TO# 807 Support to the Government of Guatemala for Addressing Business and Trade Constraints and Opportunities and Rural Development	\$339,664.00	\$209,569	\$130,095	02/28/05	N/A	139
TO #830 Export Sector Analysis for the Dominican Republic	\$249,711	\$0.00	\$249,711	09/30-04	06/15/05	215
TO #1 Office of Emerging Markets	\$50,000.00	\$0.00	\$50,000.00		9/30/1999	N/A
TO #2 Global Technology Network	\$1,996,114.02	\$1,939,435.97	\$56,678.05		9/4/2001	N/A

TO #3 Macedonian Business Resource Center	\$1,905,944.00	\$1,898,784.84	\$7,159.16		5/31/2003	N/A
TO #4 Competitiveness Study	\$40,000.00	\$36,654.10	\$3,345.90		12/14/2001	N/A
TO #800 Guinea Ag Loan Guarantee	\$49,684.00	\$49,705.50	-\$21.50		7/30/1999	N/A
TO #801 Guinea Ag II	\$77,336.87	\$74,427.12	\$2,909.75		9/17/1999	N/A
TO #802 Ukraine Business Incubator	\$75,628.00	\$72,543.37	\$3,084.63		11/17/1999	N/A
TO #803 Angola Evaluation of mission's 7- Year Strategic Plan	\$35,700.00	\$35,700.00	\$0.00		11/3/2000	N/A
TO #805 Nigeria Macroeconomic Policy	\$1,995,020.00	\$1,945,870.95	\$49,149.05		11/9/2001	N/A
Task Order Number/Name	Authorized Expenditures (Obligated)	Actual Expenditures Through 9/30/2003	Balance	Estimated Completion Date	Date of Completion	Balance In Days (LOE)
TO #806 Ukraine Alternative Fuels	\$65,290.00	\$62,054.78	\$3,235.22		4/30/2000	N/A
TO #809 Activity Management Services in Agadir	\$1,656,868.00	\$1,491,941.00	\$164,927.00		7/14/2002	N/A
TO #810 Guinea Revalidation of Mission's 7	\$189,553.00	\$188,116.55	\$1,436.45		10/31/2001	N/A

year Strategic Plan						
TO #812 Malawi Garment & Textile	\$63,246.00	\$59,739.62	\$3,506.38		9/30/2001	N/A
TO #815 Moldova Financial Management Training and Advisory Activity (FMTAA)	\$2,212,579.00	\$2,212,579.00	\$0.00		3/31/2004	N/A
TO #817 Bangladesh Competitiveness Study	\$218,205.00	\$186,280.37	\$31,924.63		12/27/2001	N/A
TO #818 Eritrea Economic Growth and Food Security Sector Assessment	\$200,748.90	\$200,748.90	\$0.00		10/15/2002	N/A

Task Order Number/Name	Authorized Expenditures (Obligated)	Actual Expenditures Through 9/30/2003	Balance	Estimated Completion Date	Date of Completion	Balance In Days (LOE)
TO #819 East and Central Africa Global Competitiveness Hub	\$1,499,933.00	\$1,489,566.10	\$10,366.90		9/15/2003	N/A
TO #813 Tanzania Tax and Mining Policy	\$1,629,987.00	\$1,436,826.00	\$193,161.00		12/30/2003	123.00
TO #816 Romania Environmental Management and Pollution Prevention Project	\$1,030,522.00	\$1,030,522.00	\$0.00		1/31/2004	-150.00